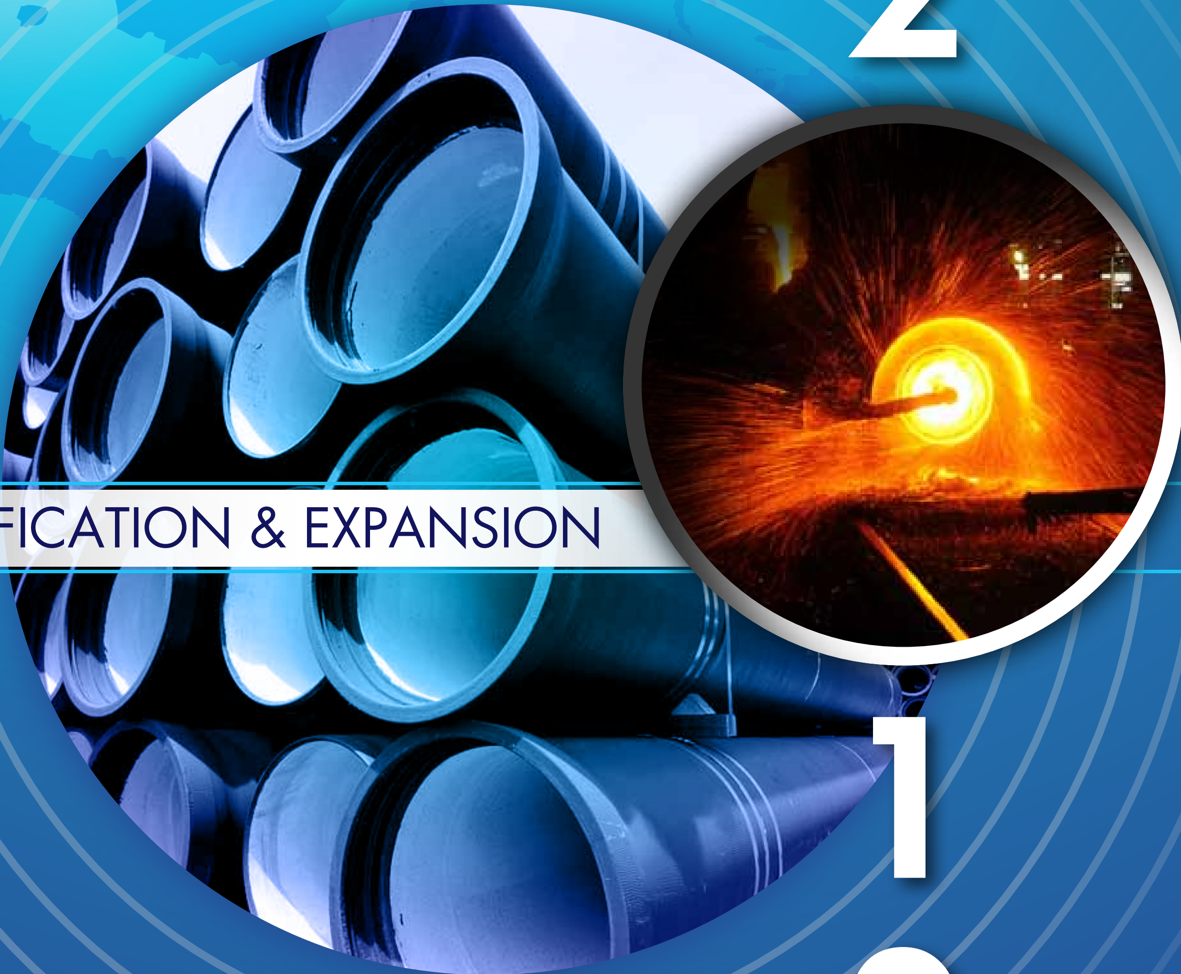
YLI HOLDINGS BERHAD
Co. No. 367249-A



DIVERSIFICATION & EXPANSION

2012
ANNUAL REPORT

OUR VISION

To be a pre-eminent group in providing products and services to the water industry, thus contributing effectively towards nation building.

OUR MISSION

By constantly enhancing our capabilities in manufacturing and services, we intend to be the leading player in the rapidly growing water and sewerage sectors within the Asian region. We will continue to look for opportunities to further enhance shareholders' value.

CONTENTS

CORPORATE INFORMATION



BOARD OF DIRECTORS

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
- *Non-Independent Non-Executive Chairman*

Dato' Hj Samsuri Bin Rahmat
- *Managing Director*

Ali Sabri Bin Ahmad
- *Executive Director*

Independent Non-Executive Directors
Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin
Tuan Haji Ab Gani Bin Haron
Mohammad Khayat Bin Idris

BOARD COMMITTEES

Audit Committee

Tuan Haji Ab Gani Bin Haron
- *Chairman*

Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin
Mohammad Khayat Bin Idris

Remuneration Committee

Mohammad Khayat Bin Idris
- *Chairman*

Tuan Haji Ab Gani Bin Haron
Dato' Hj Samsuri Bin Rahmat

Nomination Committee

Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin
- *Chairman*

Tuan Haji Ab Gani Bin Haron
Mohammad Khayat Bin Idris

REGISTERED OFFICE

2579 Lorong Perusahaan 10
Prai Industrial Estate
13600 Prai
Penang, Malaysia
Tel : 04 3991819
Fax : 04 3999819

COMPANY SECRETARY

Molly Gunn Chit Geok
MAICSA 0673097

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
16th Floor, Bangunan KWSP
Jalan Sultan Ahmad Shah
PO Box 856
10810 Penang, Malaysia

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad
3rd Floor, Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang
Tel : 04 2625333
Fax : 04 2622018

PRINCIPAL BANKERS

AmInvestment Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

The Main Market of
Bursa Malaysia Securities Berhad

Sector : Industrial Products
Stock Name : YLI
Stock Code : 7014

CORPORATE STRUCTURE

YLI HOLDINGS BERHAD
Co. No. 367249-A

37%
PINANG WATER LTD.

100%
YEW LEAN INDUSTRIES SDN. BHD.

100%
LOGAM UTARA (M) SDN. BHD.

51%
LAKSANA WIBAWA SDN. BHD.

100%
YEW LI FOUNDRY & CO SDN. BHD.

100%
YEW LEAN FOUNDRY & CO. SDN. BHD.

100%
ZENITH EASTERN (M) SDN. BHD.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of YLI Holdings Berhad, it is my pleasure to present the Annual Report and audited Financial Statements of the Group for the financial year ended 31 March 2012. Despite the positive economic growth of 5.1% in 2011 (as compared to a higher rate of 7.2% in previous year), the Group continued to face headwinds on many fronts. The prevailing political landscape, the entry of new market players following market liberalization under the AFTA regime, compressed margins for the Group's products due to higher and volatile production costs were among challenges which have remained unabated.

FINANCIAL PERFORMANCE

Despite the various fiscal stimulus measures and transformation programmes undertaken by the Government (e.g. the Government Transformation Programme and Economic Transformation Programme), the business environment within which the Group operates has remained unfavourable due to various factors.

For the year under review, The Group recorded revenue of RM143.2 million, which represents a significant increase of 86.8% as compared to RM76.6 million recorded in the previous year. The higher revenue was mainly attributed to better sales for the Group's products owing to relentless marketing efforts of the Group. Meanwhile, demand from overseas markets has remained very weak and highly competitive, partly as a result of the persistently intensifying European Sovereign Debt crisis.

Despite the significantly higher revenue, the Group has continued to experience severe margin erosion largely due to the entry of overseas competitors as a direct result of the import tariff removal effective 1 January 2010 under the Asean Free Trade Area ("AFTA") regime. Further compounding the situation, persistently high and volatile cost of production (e.g. cost of utilities and raw materials) has also exerted tremendous upward pressure on the cost base of the Group.

Against such backdrops, the Group recorded a pre-tax loss of RM4.7 million, which compared favourably to a pre-tax loss of RM43.3 million recorded in previous year. The significant improvement was mainly due to the presence of an impairment of goodwill (of RM37.2 million) in the previous year. As a result of the loss in the year under review, the Group's shareholders' funds also declined marginally to RM152.2 million compared to RM154.4 million recorded in previous year.

INDUSTRY OUTLOOK

Whilst the near-term outlook for the Group's business is expected to remain challenging in view of prevailing unfavourable market conditions, the Board of Directors still subscribes to the belief that the demand for the Group's products would inevitably improve with the eventual recovery of the market conditions. Furthermore, the current impasse in the water sector restructuring efforts of certain states should only be a transitional phenomenon as the Government is under an urgent need to further reduce Non-Revenue Water to avoid potential water shortage in certain states.

In view of the adverse operating environment which is expected to prevail in the near term, the Group has redoubled its efforts to diversify its product range as well as its market reach. In its attempt to maintain its leading position as the preferred supplier of premium quality waterworks pipes in the region, the Group has also adopted aggressive cost containment measures and ongoing research and development efforts to ensure the Group's products will meet the ever-changing market requirements.

As part of its strategic steps to further diversify its earnings base and ensure sustainable growth in the longer term, the Group is also continuously on the lookout for opportunities of investment which may potentially yield attractive returns to its shareholders.

CHAIRMAN'S STATEMENT (CONT'D)

CORPORATE GOVERNANCE

The Statement on Corporate Governance is set out on page 14 to page 18. The Board will also ensure the requirements of Bursa Malaysia Listing Requirements are strictly complied with and adhered to by the Company.

CORPORATE SOCIAL RESPONSIBILITY

While we strive to increase shareholders' return through our core business of pipe manufacturing, we also recognise our responsibility to our employees, business associates and the communities within which we conduct our business as well as the environment we operate in.

Recognising employees as the main driving force behind the business, the Group has always endeavoured to safeguard the welfare of all its employees. The Group has a Safety Committee which ensures working conditions are in compliance with the Occupational Safety and Health Act 1994 (OSHA) requirements. Employees are also provided with necessary training on an ongoing basis to enable them to meet the ever-changing business requirements. The Group has also put in place grievance procedures to ensure any employee grievance would always be professionally resolved in compliance with the prevailing laws governing industrial relations.

The Group adheres strictly to all environmental laws and regulations. Production processes are continuously monitored and upgraded to ensure full compliance with changing environmental laws and regulations. The Group has also continuously sought alternative ways to further enhance environmental protection through more efficient use of energy and minimising the production of industrial waste.

APPRECIATION

On behalf of the Board of Directors, I wish to thank all our employees for their unwavering dedication, perseverance and contribution towards the growth of the Group. I would also like to record our appreciation to our valued clients, bankers and business associates for their continuous support over the years. Last but not least, my sincere gratitude to all our shareholders for their continued confidence in the Group.

Tan Sri Syed Mohd Yusof bin Tun Syed Nasir
Chairman

FINANCIAL TRACK RECORD

	FINANCIAL YEAR ENDED 31 MARCH				
	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
Revenue	**143,292**	76,682	82,924	125,633	99,142
Profit/(Loss) Before Taxation	**(4,744)**	(43,309)	2,924	8,049	12,667
Profit/(Loss) After Taxation Attributed to Shareholders	**(2,625)**	(40,304)	2,291	6,215	10,893
Shareholders' Funds	**152,233**	154,483	196,002	196,689	194,212
Total Assets Employed	**226,246**	222,676	263,051	300,044	210,913
Profit/(Loss) After Taxation as a Percentage of Shareholders' Funds	**(1.7)**	(26.1)	1.2	3.2	5.6
Basic Earnings/(Loss) Per Share (sen)	**(2.67)**	(40.94)	2.33	6.31	11.05
Diluted Earnings/(Loss) Per Share (sen)	**N/A**	N/A	N/A	N/A	N/A
Net Assets Per Share (RM)	**1.54**	1.57	1.99	2.00	1.97
No. of Shares in Issue (Net of Treasury Shares)	**98,439**	98,439	98,439	98,439	98,560

OUR PERFORMANCE

			2012 RM'000	2011 RM'000	% CHANGE
INCOME STATEMENT	Revenue		**143,292**	76,682	86.87
	Profit/(Loss) Before Taxation		**(4,744)**	(43,309)	(89.05)
	Profit/(Loss) After Taxation Attributed to Shareholders		**(2,625)**	(40,304)	(93.49)
BALANCE SHEET	Shareholders' Funds		**152,233**	154,483	(1.46)
	Total Assets Employed		**226,246**	222,676	1.60
RATIOS	Current Ratio	times	**2.33**	2.90	(19.66)
	Return on Equity	%	**(1.72)**	(26.09)	(93.41)
	Return on Total Assets	%	**(1.16)**	(18.10)	(93.60)
	Financial Leverage Ratio	times	**0.23**	0.26	(11.54)
	Basic Earnings/(Loss) Per Share	sen	**(2.67)**	(40.94)	(93.48)
	Net Tangible Assets Per Share	RM	**1.54**	1.57	(1.27)
	31st March Closing Price	RM	**0.43**	0.56	(23.21)

BOARD OF DIRECTORS

TUAN HAJI AB GANI HARON
Independent
Non-Executive Director

ENCIK ALI SABRI AHMAD
Non-Independent
Executive Director

TAN SRI SYED MOHD YUSOF TUN SYED NASIR
Non-Independent
Non-Executive Chairman

DATO' HJ. SAMSURI RAHMAT
Managing Director
Non-Independent
Executive Director

ENCIK MOHAMMAD KHAYAT IDRIS
Independent
Non-Executive Director

ACADEMICIAN DATUK PROF IR (DR) HJ AHMAD ZAIDEE LAIDIN
Independent
Non-Executive Director

PROFILE OF DIRECTORS

TAN SRI SYED MOHD YUSOF TUN SYED NASIR
Malaysian, aged 64
Non-Independent Non-Executive Chairman

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir is the Chairman and major shareholder of YLI Holdings Berhad. He was appointed to the Board of the Company on 15 August 2007.

After graduating with a Bachelor of Economics majoring in Accountancy, Tan Sri Syed Mohd Yusof started his career with Petronas. He served in various positions there, rising to Head of Northern Region before leaving Petronas to venture into business. He was formerly the Chairman of Southern Bank Berhad and Killinghall (Malaysia) Bhd, a former Director of Southern Finance Berhad and AM Trustee Berhad. Currently he sits on the Board of several private limited companies.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings for the financial year ended 31 March 2012.

DATO' HJ. SAMSURI RAHMAT
Malaysian, aged 56
Managing Director
Non-Independent Executive Director

Dato' Hj. Samsuri Rahmat was appointed as the Managing Director on 9 June 2008. He was formerly the Chief Operating Officer of the Company. He is a member of the Remuneration Committee of YLI Holdings Berhad. He graduated with a Bachelor of Science (Honors) degree in Environmental Studies from University Putra Malaysia in 1980. He also holds a Master of Arts degree in Economics from Western Michigan University, the United States of America.

He has held various key positions in the Ministry of Science, Technology and Environment, Ministry of International Trade and Industry, Ministry of National and Rural Development, Socio-Economic Research Unit and Economic Planning Unit (both under the Prime Minister's Department) for sixteen years before joining the private sector in 1996. Prior to joining the Company, he was the Executive Vice Chairman and also Executive Director of TRIplc Berhad.

As the Managing Director, he is mainly responsible for the Group's strategic direction as well as its business and corporate development. He also sits on the Board of various subsidiaries of the YLI Group. He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings for the financial year ended 31 March 2012.

ENCIK ALI SABRI AHMAD
Malaysian, aged 55
Non-Independent Executive Director

Encik Ali Sabri Ahmad was appointed as Executive Director on 9 June 2008. He graduated with a Diploma in Civil Engineering from Institut Teknologi Mara in 1980. He also holds a Bachelor of Science degree in Civil Engineering from the University of Glasgow, Scotland in 1986.

He has over twenty years of working experience in major construction projects ranging from civil infrastructure, building works, hospital, road works, elevated viaduct, hotel, residential and commercial developments. He has held various key positions in organizations involved in major construction and project management in Malaysia as well as abroad. Prior to joining the Company, he was the Construction Manager in Kumpulan Ikhtisas Projek (M) Sdn. Bhd. He also sits on the Board of various subsidiaries of the YLI Group.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings for the financial year ended 31 March 2012.

TUAN HAJI AB GANI HARON
Malaysian, aged 60
Independent Non-Executive Director

Tuan Haji Ab Gani Haron was appointed to the Board on 9 June 2008. He is the Chairman of the Audit Committee and a member of Nomination Committee and Remuneration Committee of YLI Holdings Berhad.

He graduated with a Bachelor of Economics (Honors) degree from Universiti Malaya in 1976 and obtained his Diploma Perakaunan from Universiti Malaya in 1977. He is also a qualified member of Malaysian Institute of Accountants.

He has over thirty years of working experience in civil service. He started his career as an accountant in the Accountant General's office. He had since held various key positions in the Accountant General's office. He was the Deputy Accountant General (Operations) in the Accountant General's office until November 2007. He is the Chairman of Amanahraya Capital Sdn. Bhd. and sits on the Board of Century Software Holdings Berhad, Amanahraya Investment Bank Ltd., Amanahraya Trustees Berhad, Amanah Raya (Labuan) Limited, Amanahraya Capital Group Sdn. Bhd., Export-Import Bank of Malaysia Berhad and Al-Jewar Ltd. (Labuan).

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings for the financial year ended 31 March 2012.

PROFILE OF DIRECTORS (CONT'D)

ENCIK MOHAMMAD KHAYAT IDRIS
Malaysian, aged 59
Independent Non-Executive Director

Encik Mohammad Khayat Idris was appointed to the Board on 9 June 2008. He is the Chairman of the Remuneration Committee and the member of Audit Committee and Nomination Committee of YLI Holdings Berhad.

He graduated with a Bachelor of Engineering (Honors) degree from Universiti Teknologi Malaysia in 1977. He also holds a Master of Science degree in electrical power engineering from University of Strathclyde, United Kingdom.

He has over twenty five years of illustrious working experience in the academic profession. He joined Institut Teknologi Mara as a lecturer in Electrical Engineering Power in 1977 and had since held key positions within the organization. Prior to his appointment as a Director of YLI, he was the Deputy Director of Development in UiTM.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings for the financial year ended 31 March 2012.

ACADEMICIAN DATUK PROF IR (DR) HJ AHMAD ZAIDEE LAIDIN
Malaysian, aged 69
Independent Non-Executive Director

Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee Laidin was appointed to the Board on 24 February 2009. He is the Chairman of the Nomination Committee and a member of Audit Committee of YLI Holdings Berhad.

He holds a Master of Science in Technological Economies (Management & Industrial Science), University of Stirling and is a registered Professional Engineer with the Board of Engineers Malaysia.

He is an Honorary Fellow of the Institution of Engineers, Malaysia, as well as Academy of Sciences Malaysia and is currently serving in the councils of both bodies. He was recently elected as a Senior Fellow of the Academy that entitled him to be called Academician.

He was awarded the Degree of Doctor of the University by University of Stirling, the Honorary Degree of Doctor of Technology by Oxford Brookes University, and the Honorary Doctor of Letters by the Manchester Metropolitan University as well as Honorary Professor of Napier University, United Kingdom. His latest achievement is the Honorary Doctorate in Electrical Engineering given by Universiti Teknologi MARA.

He is the Past President of the Federation of Engineering Institutions of Southeast Asia and the Pacific (FEISEAP) and a Past President of Institution of Engineers, Malaysia (IEM) as well as the Honorary Fellow of the ASEAN Federation of Engineering Organizations.

He is currently Chairman of Universiti Teknikal Malaysia Melaka, a Board member of Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART) and Chairman of ERINCO Sdn. Bhd.

Academically, he is a visiting Professor in Electrical Engineering to Universiti Malaysia Pahang, a Vice President of the Academy of Sciences Malaysia and a Board Member of Open University Malaysia and Meteor Learning Sdn. Bhd. He is also Chairman and Director of Malay Education and Development Research Institute, an NGO. He also serves on the Board of UNITEN.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings for the financial year ended 31 March 2012.

FINANCIAL CALENDAR

FINANCIAL YEAR END		31 March 2012
ANNUAL GENERAL MEETING		27 September 2012
ANNOUNCEMENT OF RESULTS		
	First Quarter	25 August 2011
	Second Quarter	30 November 2011
	Third Quarter	23 February 2012
	Fourth Quarter	24 May 2012
ANNUAL REPORT	**Date of Issuance**	5 September 2012

STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (Revised 2007) ("the Code") sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of YLI Holdings Berhad ("the Board") has always recognised the importance of adopting good corporate governance. The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group. The Board views this as a fundamental part of its responsibilities to protect and enhance shareholders' value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Code pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (BMSB) throughout the year save where otherwise identified.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 March 2012.

THE BOARD OF DIRECTORS

The Board

The Board which is responsible for the control and proper management of the Company comprises members with a wide range of experience in fields such as accounting, marketing, financial and management operations, engineering, corporate planning, restructuring and construction. The Board has delegated specific responsibilities to three main committees namely the Audit, Remuneration and Nomination Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

(i) Board Composition

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business and industry. The current Board consists of two Executive Directors and four Non-Executive Directors, of whom three are independent. The Independent Non-Executive Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Together they play an important part in the process of deliberating and examining business strategies proposed by the Management, taking into account the long term interest of the Company, its shareholders, employees, customers and other stakeholders.

There is a clear division of responsibility between the Chairman and the Managing Director. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

(ii) Board meetings

The Board meets on a scheduled basis at least four times a year, with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, dividend recommendations, major acquisitions and disposals, major capital expenditure, risk management policies, appointment of Directors are discussed and decided by the Board.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

THE BOARD OF DIRECTORS (CONTINUED)

(ii) Board meetings (continued)

During the financial year ended 31 March 2012, four (4) Board Meetings were held. The attendance record of each Director is as follows:-

	Board of Directors' Meeting		May '11	Aug '11	Nov '11	Feb '12		
	Directors	Position	Attendance				Total	%
1	Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	Non-Executive Chairman	•	•	•	•	4/4	100
2	Dato' Hj Samsuri bin Rahmat	Managing Director	•	•	•	•	4/4	100
3	Ali Sabri bin Ahmad	Executive Director	•	•	•	•	4/4	100
4	Tuan Haji Ab Gani bin Haron	Director	•	•	•	•	4/4	100
5	Mohammad Khayat bin Idris	Director	•	•	•	•	4/4	100
6	Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin	Director	•	•	•	•	4/4	100
	Total number of meetings held:						4	

(iii) Supply of Information

All Directors are provided with an agenda and a set of Board papers issued in sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of annual and quarterly results, acquisitions and disposals of assets that are material to the Group, major investments, dividend recommendations, risk management policies, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

At Board meetings, the Management updates the Board on the business and market factors relevant to the Group.

(iv) Appointments to the Board

The present Nomination Committee comprises Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin (Independent Non-Executive Director) who is the Chairman, Tuan Haji Ab Gani bin Haron (Independent Non-Executive Director) and Encik Mohammad Khayat bin Idris (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

(1) Recommends to the Board candidates for Directorships.
(2) Considers candidates proposed by the Managing Director or any Director.
(3) Recommends to the Board of Directors to fill the seats on Board committees.
(4) Reviews the Board structure, size and composition.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

THE BOARD OF DIRECTORS (CONTINUED)

(v) Re-election of Directors

In accordance with the Company's Articles of Association, all Directors shall retire from office once at least in each three years but shall be eligible for re-election.

(vi) Directors' Training

As required under the Main Market Listing Requirements of BMSB, all the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP"). The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

During the financial year ended 31 March 2012, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

Directors	Types of Training	Duration
Tan Sri Syed Mohd Yusof bin Tun Syed Nasir Dato' Hj Samsuri bin Rahmat Ali Sabri bin Ahmad Tuan Haji Ab Gani bin Haron Mohammad Khayat bin Idris Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin	In-house seminar on Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide 2011	½ day

DIRECTORS' REMUNERATION

(i) Remuneration Committee

The present Remuneration Committee comprises Encik Mohammad Khayat bin Idris (Chairman) who is an Independent Non-Executive Director, Dato' Hj Samsuri bin Rahmat, (Managing Director) and Tuan Haji Ab Gani bin Haron (Independent Non-Executive Director).

(ii) Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of Executive Directors. The remuneration system takes into account individual performance, comparison of the Company's actual performance relative to other companies in the same sector and additional responsibilities of the Directors. The fees of the Directors are subject to shareholders' approval at the Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' REMUNERATION (CONTINUED)

(iii) Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 March 2012 is set out below:-

A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	84,000	24,000
Salaries	591,360	-
Bonus	163,560	-
Benefits in kind	55,155	192,200
Other benefits	125,108	477,000
Total	1,019,183	693,200

B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
0 – 50,000	-	-	-
50,001 – 100,000	-	3	3
350,001 – 400,000	1	-	1
450,001 – 500,000	-	-	-
500,001 – 550,000	-	1	1
650,001 – 700,000	1	-	1

The Board feels that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company keeps shareholders informed by announcements and timely release of quarterly financial results through the Bursa Malaysia LINK, press releases and annual reports. The Company also endeavours to meet requests for meetings from institutional investors and analysts for a better understanding on the Group's strategy and financial performance, all within the legal and regulatory framework in respect of the release of information.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Tuan Haji Ab Gani Bin Haron, Senior Independent Non-Executive Director
Telephone number : 04-399 1819
Facsimile number : 04-399 9819
Email address : corporate@yli.com.my

Shareholders and members of the public are invited to access the Group's website at www.yli.com.my to obtain the latest information on the Group.

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. The notice of the AGM and the Annual Reports are sent to shareholders at least 21 days before the date of the meeting. The notice of the AGM is also published in a national newspaper and released to the BMSB for public dissemination. Members of the Board are present at the AGM to answer questions raised at the meeting.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Directors have a responsibility to present a true and fair assessment of the Groups' financial position and prospects primarily through the annual report to shareholders and quarterly financial statements to the BMSB.

The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy, adequacy and completeness of all annual and quarterly reports, audited or unaudited, and approved by the Board of Directors before releasing to the BMSB.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 25 of this Annual Report.

(ii) Internal Control

The statement about the State of Internal Control as set out on pages 24 to 25 provides an overview of the state of internal controls within the Group.

(iii) Relationship with the External Auditors

The Board has established and maintains a close and transparent professional relationship with the external auditors of the Company. As disclosed on pages 20 to 23 the Audit Committee is the independent channel of communication for the external and internal auditors. It also reviews the activities of the internal audit function as well as the effectiveness of the system of internal control.

ADDITIONAL COMPLIANCE INFORMATION

During the financial year:

a) Utilisation of proceeds from corporate proposals
No proceeds were raised by the Company from any corporate proposal.

b) Share buybacks

(i) The Company did not purchase any of its own shares during the financial year ended 31 March 2012.

(ii) All shares previously purchased are retained as treasury shares and none of these shares were resold or cancelled during the financial year.

(iii) Details of shares retained as treasury shares during the financial year ended 31 March 2012 are as follows:

	No. of shares retained as Treasury Shares
As at 1 April 2011	121,000
Movements during the year	-
As at 31 March 2012	121,000

c) Options, warrants or convertible securities exercised
The Company has not issued any options, warrants or convertible securities.

d) Depository Receipt Programme
The Company did not sponsor any Depository Receipt Programme during the financial year ended 31 March 2012.

e) Sanctions and/or penalties imposed
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies during the financial year ended 31 March 2012, which have the material impact on the operations or financial position of the Group.

f) Variations in actual results from those previously announced or released
The Company did not release any profit estimate, forecast or projection for the financial year. There is no variance between the results for the financial year and the unaudited results previously released by the Company.

g) Comparison of profit achieved with the profit guarantee
There was no profit guarantee given to the Company.

h) Material contracts
There were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests.

i) Recurrent Related Party Transactions of Revenue Nature ("RRPT")
The Company did not enter into any RRPT.

Non-audit fees

For the financial year, the amount of non-audit fees incurred for services rendered to the Company or its subsidiaries by its external auditors or a firm or company affiliated to the said auditors was RM14,050.

Conviction for offences

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

AUDIT COMMITTEE REPORT

Chairman

Tuan Haji Ab Gani bin Haron*
Independent Non-Executive Director

Members

Encik Mohammad Khayat bin Idris
Independent Non-Executive Director

Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin
Independent Non-Executive Director

** Member of MIA*

Terms of Reference

1. MEMBERSHIP

1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-

(a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
(b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
(c) at least one member of the Committee:
  (i) must be a member of the Malaysian Institute of Accountants; or
  (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  (iii) fulfils such other requirements as prescribed or approved by the Exchange.

1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

1.3 No alternate director should be appointed as a member of the Committee.

1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

AUDIT COMMITTEE REPORT (CONTINUED)

2. MEETINGS

2.1 Frequency

2.1.1 Meetings shall be held not less than four times a year.

2.1.2 Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

2.2 Quorum

2.2.1 A quorum shall consist of a majority of independent directors.

2.3 Secretary

2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

2.4 Attendance

2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditor shall normally attend meetings.

2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.4.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.

2.5 Reporting Procedure

2.5.1 The minutes of each meeting shall be circulated to all members of the Board.

2.6 Meeting Procedure

The Committee shall regulate its own procedure, in particular:-

(a) the calling of meetings;
(b) the notice to be given of such meetings;
(c) the voting and proceedings of such meetings;
(d) the keeping of minutes; and
(e) the custody, production and inspection of such minutes.

3. RIGHTS

3.1 The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Company;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(e) be able to obtain independent professional or other advice; and
(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of Company, whenever deemed necessary.

AUDIT COMMITTEE REPORT (CONTINUED)

4. FUNCTIONS

The Committee shall, amongst others, discharge the following functions:

4.1 To review:-

(a) the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
   (i) the going concern assumption;
   (ii) changes in or implementation of major accounting policy changes;
   (iii) significant and unusual events; and
   (iv) compliance with accounting standards and other legal requirements.

(b) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions on management integrity.

(c) with the external auditor:
   (i) the audit plan;
   (ii) his audit report;
   (iii) his management letter on internal control issues arising from his year end audit and management's response; and
   (iv) the assistance given by the Company's employees to the external auditor.

4.2 To monitor the management's risk management practices and procedures.

4.3 In respect of the appointment of external auditors:

(a) to review whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
(b) to consider the nomination of a person or persons as external auditors and the audit fee;
(c) to consider any questions of resignation or dismissal of external auditors.

4.4 In respect of the internal audit function:

(a) to review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and that it reports directly to the Audit Committee;
(b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
(c) to review any appraisal or assessment of the performance of members of the internal audit function;
(d) to approve any appointment or termination of senior staff members of the internal audit function; and
(e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.5 To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

4.6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

AUDIT COMMITTEE REPORT (CONTINUED)

Details of attendance of members at Audit Committee Meetings

For the financial year ended 31 March 2012, four (4) Audit Committee meetings were held.

The attendance of each member is as set out below:

Committee Members	Position	May '11	Aug '11	Nov '11	Feb '12	Total	%
		Attendance					
Tuan Haji Ab Gani bin Haron	Chairman	•	•	•	•	4/4	100
Mohammad Khayat bin Idris	Member	•	•	•	•	4/4	100
Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin	Member	•	•	•	•	4/4	100

Activities of the Audit Committee

Based on duties specified in the Terms of Reference, the activities performed by the Audit Committee during the period under review included the following:

a. Reviewed the Group's unaudited quarterly results and announcements and audited year end financial statements, prior to recommending to the Board of Directors for approval.
b. Reviewed with the external auditors the audit plan, audit report and the audit approach.
c. Considered and recommended the reappointment and remuneration of the external auditors.
d. Reviewed and approved the internal auditors' annual audit plan, audit findings and reports and assessed their performance, adequacy of resources and approved their remuneration.
e. Reviewed and approved the risk management framework and assessed the adequacy of the internal control system.
f. Reviewed the Audit Committee report and Statement on Internal Control for inclusion in the Annual Report.
g. Reviewed the external auditors' management letter and management's response.
h. Held two meetings with external auditors without the presence of management.

Activities of the Internal Audit Department

The Group's internal audit function has been outsourced since June 2008. The expenses incurred for internal audit amounted to RM47,857 for the year ended 31 March 2012.

The Group's internal audit activities are mainly carried out in accordance with the annual audit plan that has been tabled to the Audit Committee for its review and approval and selected ad-hoc audits on management's requests. The audit plan uses a risk based approach and focuses on financial, operational, compliance with applicable laws and assesses the adequacy of internal controls as well as the effectiveness of risk management framework for key operating companies within the Group. The Internal Auditors report directly to the Audit Committee and assist the Audit Committee to monitor and manage risks and provide the Audit Committee with independent views on the effectiveness of the system of internal control after their reviews. The internal audit findings and recommendations of the Internal Auditors are reviewed quarterly by the Audit Committee and their recommendations for improvements on control and minutes of Audit Committee meetings are circulated to the Board.

STATEMENT ABOUT THE STATE OF INTERNAL CONTROL

INTRODUCTION

The Malaysia Code of Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets.

Guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies, the Board of Director of YLI Holdings Berhad is pleased to present the Statement on Internal Control which is prepared in accordance with Rule 15.26(b) of the Listing Requirements of Bursa Securities.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. In view of the limitations that are inherent in any systems of internal control, the systems of internal control are designed to manage risk within tolerable levels rather than eliminate the risk of failure to achieve business objectives. Hence, such system by its nature can only provide reasonable and not absolute assurance against material misstatement, error or losses.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and the management practice proactive significant risks identification in the processes and activities of the Group, particularly in major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a tolerance level acceptable by the Board.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has outsourced its internal audit function to an independent professional accounting and consulting firm, BDO Governance Advisory Sdn Bhd as part of its efforts to provide adequate and effective internal control systems. The performance of internal audit function is carried out as per the annual audit plan approved by the Audit Committee.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The audit focuses on high risk area to ensure that an adequate action plan is in place to improve the controls in place. The audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement. The highlighted areas will be followed up closely to determine the extent of their recommendations that have been implemented by the management.

The Group's internal control system covered key operating companies within the Group but does not apply to its associated company, Pinang Water Ltd. as the Group does not exercise day to day absolute control over this entity.

STATEMENT ABOUT THE STATE OF INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides a documented and auditable trail of accountability;
- A set of documented internal policies and procedures which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

CONCLUSION

The Board is of the view that there were no significant weaknesses in the current system of internal control of the Group that may have material impact on the operations of the Group for the financial year ended 31 March 2012. The Board and the management will continue to take necessary measures and ongoing commitment to strengthen and improve its internal control environment and processes.

This statement has been reviewed by the external auditors in compliance with Rule 15.23 of the Listing Requirements of Bursa Securities.

This statement is issued in accordance with a resolution of the Directors dated 24 May 2012.

DIRECTORS' RESPONSIBILITY STATEMENT

IN RESPECT OF ANNUAL AUDITED FINANCIAL STATEMENTS

Under the Companies Act, 1965, the Directors are required to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and the Company. In preparing the financial statements, the Directors have:

- adopted and used accounting policies consistently in dealing with items which are considered material in relation thereto;

- made accounting estimates where applicable that are prudent, just and reasonable; and

- ensured that the Company has taken reasonable steps to deter and minimize fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is that of investment holding. The principal activities of the Group consist of manufacturing and marketing of ductile iron pipes, steel pipes and fittings and waterworks related products for waterworks and sewerage industry. The principal activities of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Loss for the financial year	4,739,494	588,889
Attributable to:		
Owners of the Company	2,624,749	588,889
Non-controlling interest	2,114,745	0
	4,739,494	588,889

DIVIDEND

No dividend has been paid, declared or proposed since the end of the Company's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 March 2012.

SHARE CAPITAL

The Company did not issue any new shares during the financial year.

TREASURY SHARES

The Company did not repurchase any of its issued share capital from the open market on Bursa Malaysia Securities Berhad ("Bursa Malaysia") during the financial year. The details of the treasury shares are set out in Note 25 to the financial statements.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Dato' Hj. Samsuri Bin Rahmat
Ali Sabri Bin Ahmad
Mohammad Khayat Bin Idris
Tuan Haji Ab Gani Bin Haron
Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year are as follows:

	Number of ordinary shares of RM1 each			
	As at 1 April 2011	BOUGHT	SOLD	As at 31 March 2012
YLI Holdings Berhad				
Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir				
Direct interest	29,568,000	0	0	**29,568,000**

Other than as disclosed above, none of the other Directors held any other interests in shares in, or debentures of, the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 11 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 June 2012

TAN SRI SYED MOHD YUSOF BIN TUN SYED NASIR
DIRECTOR

DATO' HJ. SAMSURI BIN RAHMAT
DIRECTOR

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF YLI HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of YLI Holdings Berhad on pages 32 to 83, which comprise the statements of financial position as at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 32.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2012 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF YLI HOLDINGS BERHAD (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia ("the Act"), we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 16 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification or did not include any comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 on page 84 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers
[No. AF:1146]
Chartered Accountants

Cho Choo Meng
[2082/09/12 (J/PH)]
Chartered Accountant

Penang

18 June 2012

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
REVENUE	6	**143,292,285**	76,681,532	**211,918**	1,257,041
COST OF SALES		**(138,769,195)**	(69,653,650)	**0**	0
GROSS PROFIT		**4,523,090**	7,027,882	**211,918**	1,257,041
Other operating income		**2,356,547**	894,923	**0**	0
Selling and distribution costs		**(2,158,710)**	(4,219,387)	**0**	0
Administrative expenses		**(6,344,868)**	(43,810,513)	**(957,946)**	(44,195,748)
Other operating expenses		**(346,291)**	(547,872)	**0**	0
Finance costs	7	**(3,124,739)**	(2,820,763)	**0**	0
Share of results of a jointly controlled entity	17	**351,107**	166,940	**0**	0
LOSS BEFORE TAXATION	8	**(4,743,864)**	(43,308,790)	**(746,028)**	(42,938,707)
TAXATION	12	**4,370**	(661,145)	**157,139**	(107,035)
LOSS FOR THE FINANCIAL YEAR		**(4,739,494)**	(43,969,935)	**(588,889)**	(43,045,742)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR:					
Currency translation differences		**374,978**	(477,030)	**0**	0
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**(4,364,516)**	(44,446,965)	**(588,889)**	(43,045,742)
LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:					
Owners of the company		**(2,624,749)**	(40,303,874)		
Non-controlling interest		**(2,114,745)**	(3,666,061)		
		(4,739,494)	(43,969,935)		
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:					
Owners of the company		**(2,249,771)**	(40,780,904)		
Non-controlling interest		**(2,114,745)**	(3,666,061)		
		(4,364,516)	(44,446,965)		
LOSS PER SHARE (SEN)					
- basic	13	**(2.67)**	(40.94)		
- diluted	13	**NA***	NA*		

* NA – Not applicable

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	NOTE	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
NON CURRENT ASSETS					
Property, plant and equipment	14	**101,117,162**	106,780,851	**0**	0
Goodwill on consolidation	15	**0**	0	**0**	0
Investments in subsidiaries	16	**0**	0	**21,378,303**	21,378,303
Investment in jointly controlled entity	17	**1,793,730**	1,067,645	**141**	141
Amounts due from subsidiaries	16	**0**	0	**34,148,173**	24,375,900
Amount due from a jointly controlled entity	17	**8,064,928**	8,064,928	**8,064,928**	8,064,928
Deferred taxation	24	**162,360**	0	**153,545**	0
		111,138,180	115,913,424	**63,745,090**	53,819,272
CURRENT ASSETS					
Inventories	18	**31,380,897**	26,446,018	**0**	0
Receivables, deposits and prepayments	19	**52,227,785**	35,824,940	**64,573**	82,575
Amount due from a jointly controlled entity	20	**79,802**	75,535	**0**	0
Tax recoverable		**501,950**	811,687	**461,524**	452,153
Deposits, cash and bank balances	21	**30,917,493**	43,604,763	**3,042,137**	13,776,202
		115,107,927	106,762,943	**3,568,234**	14,310,930
CURRENT LIABILITIES					
Payables and accrued liabilities	22	**28,760,716**	14,978,788	**107,756**	335,745
Borrowings	23	**20,574,428**	21,828,651	**0**	0
		49,335,144	36,807,439	**107,756**	335,745
Net current assets		**65,772,783**	69,955,504	**3,460,478**	13,975,185
NON CURRENT LIABILITIES					
Deferred taxation	24	**7,356,643**	7,842,195	**0**	0
Borrowings	23	**13,835,673**	17,943,570	**0**	0
		155,718,647	160,083,163	**67,205,568**	67,794,457
CAPITAL AND RESERVES					
Share capital	25	**98,560,000**	98,560,000	**98,560,000**	98,560,000
Treasury shares	25	**(107,620)**	(107,620)	**(107,620)**	(107,620)
Share premium	26	**7,208,014**	7,208,014	**7,208,014**	7,208,014
Revaluation and other reserves	27	**1,335,905**	960,927	**0**	0
Retained earnings/(Accumulated losses)		**45,236,918**	47,861,667	**(38,454,826)**	(37,865,937)
Shareholders' equity		**152,233,217**	154,482,988	**67,205,568**	67,794,457
Non-controlling interest		**3,485,430**	5,600,175	**0**	0
TOTAL EQUITY		**155,718,647**	160,083,163	**67,205,568**	67,794,457

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

GROUP	ATTRIBUTABLE TO OWNERS OF THE COMPANY								
		NON-DISTRIBUTABLE				DISTRIBUTABLE			
	SHARE CAPITAL RM	SHARE PREMIUM RM	TREASURY SHARES RM	REVALUATION AND OTHER RESERVES RM	EXCHANGE FLUCTUATION RESERVE RM	RETAINED EARNINGS RM	TOTAL RM	NON-CONTROLLING INTEREST RM	TOTAL EQUITY RM
At 1 April 2010	98,560,000	7,208,014	(107,620)	1,588,667	(150,710)	88,903,834	196,002,185	9,266,236	205,268,421
Total comprehensive loss	0	0	0	0	(477,030)	(40,303,874)	(40,780,904)	(3,666,061)	(44,446,965)
	98,560,000	7,208,014	(107,620)	1,588,667	(627,740)	48,599,960	155,221,281	5,600,175	160,821,456
Dividend in respect of the financial year ended 31 March 2010	0	0	0	0	0	(738,293)	(738,293)	0	(738,293)
At 31 March 2011	98,560,000	7,208,014	(107,620)	1,588,667	(627,740)	47,861,667	154,482,988	5,600,175	160,083,163
At 1 April 2011	98,560,000	7,208,014	(107,620)	1,588,667	(627,740)	47,861,667	154,482,988	5,600,175	160,083,163
Total comprehensive income/(loss) for the financial year	0	0	0	0	374,978	(2,624,749)	(2,249,771)	(2,114,745)	(4,364,516)
At 31 March 2012	**98,560,000**	**7,208,014**	**(107,620)**	**1,588,667**	**(252,762)**	**45,236,918**	**152,233,217**	**3,485,430**	**155,718,647**

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

COMPANY	NON-DISTRIBUTABLE				
	SHARE CAPITAL RM	TREASURY SHARES RM	SHARE PREMIUM RM	RETAINED EARNINGS/ (ACCUMULATED LOSSES) RM	TOTAL RM
At 1 April 2010	98,560,000	(107,620)	7,208,014	5,918,098	111,578,492
Total comprehensive loss	0	0	0	(43,045,742)	(43,045,742)
	98,560,000	(107,620)	7,208,014	(37,127,644)	68,532,750
Dividend in respect of the financial year ended 31 March 2010	0	0	0	(738,293)	(738,293)
At 31 March 2011	98,560,000	(107,620)	7,208,014	(37,865,937)	67,794,457
At 1 April 2011	98,560,000	(107,620)	7,208,014	(37,865,937)	67,794,457
Total comprehensive loss for the financial year	0	0	0	(588,889)	(588,889)
At 31 March 2012	98,560,000	(107,620)	7,208,014	(38,454,826)	67,205,568

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

		GROUP		COMPANY	
	NOTE	2012 RM	2011 RM	2012 RM	2011 RM
OPERATING CASH FLOWS					
Cash receipts from customers		**127,139,690**	71,786,981	**0**	0
Cash paid to suppliers and employees		**(130,646,213)**	(61,765,593)	**(1,161,358)**	(848,754)
Cash flows (used in)/generated from operations		**(3,506,523)**	10,021,388	**(1,161,358)**	(848,754)
Dividends received from a subsidiary		**0**	0	**0**	738,293
Tax paid		**(877,382)**	(1,853,766)	**(5,777)**	0
Tax refunded		**543,577**	194,901	**0**	173,797
Interests paid		**(946,832)**	(891,589)	**0**	0
Interests received		**804,045**	935,713	**205,343**	248,078
		(476,592)	(1,614,741)	**199,566**	1,160,168
Net operating cash flows		**(3,983,115)**	8,406,647	**(961,792)**	311,414
INVESTING CASH FLOWS					
Proceeds from disposal of property, plant and equipment		**40,500**	146,000	**0**	0
Purchase of property, plant and equipment	14	**(488,801)**	(409,849)	**0**	0
Net investing cash flows		**(448,301)**	(263,849)	**0**	0
FINANCING CASH FLOWS					
Advances to a jointly controlled entity		**(4,267)**	(3,493)	**0**	0
Drawdown of short-term borrowings		**0**	8,358,823	**0**	0
Repayment of short-term borrowings		**(518,524)**	0	**0**	0
Repayment of finance lease liabilities		**(207,283)**	(180,870)	**0**	0
Repayment of term loans		**(4,427,931)**	(5,063,868)	**0**	0
Interests paid		**(2,809,467)**	(2,574,810)	**0**	0
Advances to a subsidiary		**0**	0	**(10,500,000)**	0
Payment on behalf by a subsidiary		**0**	0	**177,727**	234,849
Repayment of advances by subsidiaries		**0**	0	**550,000**	9,420,000
Deposits (charged)/withdrawn for credit facilities		**(37,957)**	10	**0**	0
Dividend paid to shareholders		**0**	(738,293)	**0**	(738,293)
Net financing cash flows		**(8,005,429)**	(202,501)	**(9,772,273)**	8,916,556
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(12,436,845)**	7,940,297	**(10,734,065)**	9,227,970
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**40,509,054**	32,568,757	**13,776,202**	4,548,232
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21	**28,072,209**	40,509,054	**3,042,137**	13,776,202

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

1 GENERAL INFORMATION

The principal activity of the Company during the financial year is that of investment holding. The principal activities of the Group consist of manufacturing and marketing of ductile iron pipes, steel pipes and fittings and waterworks related products for waterworks and sewerage industry. The principal activities of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

2579, Lorong Perusahaan 10
Prai Industrial Estate
13600 Prai
Penang

2 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act 1965.

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the individual policy statements in Note 3 to the financial statements.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements of the Group and the Company are disclosed in Note 5 to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimate is reviewed and in any future periods affected.

(a) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company and are effective

The new accounting standards, amendments and improvement to published standards and Issues Committee ("IC") interpretations to existing standards that are effective for the Group and the Company's financial years beginning on or after 1 April 2011 are as follows:

- Revised FRS 3 "Business combinations"
- Revised FRS 127 "Consolidated and separate financial statements"
- Amendments to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
- Amendment to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments"
- Amendments to FRS 132 "Financial Instruments: Presentation - Classification of Rights Issues"
- Amendments to FRS 138 "Intangible Assets"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement"
- IC Interpretation 4 "Determining whether an Arrangement Contains a Lease"
- IC Interpretation 16 "Hedges of a net investment in a foreign operation"
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(a) New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company and are effective (continued)

The new accounting standards, amendments and improvement to published standards and Issues Committee ("IC") interpretations to existing standards that are effective for the Group and the Company's financial years beginning on or after 1 April 2011 are as follows (continued):

- Improvements to FRSs (2010):
  - FRS 3 "Business Combinations"
  - FRS 7 "Financial Instruments: Disclosures"
  - FRS 101 "Presentation of Financial Statements"
  - FRS 121 "The Effects of Changes in Foreign Exchange Rates"
  - FRS 131 "Interests in Joint Ventures"
  - FRS 132 "Financial Instruments: Presentation"
  - FRS 139 "Financial Instruments: Recognition and Measurement"
  - IC Interpretation 9 "Reassessment of Embedded Derivatives"

The adoption of the above amendments/improvements to published standards and IC interpretations to existing standards did not have a significant financial impact on the Group and the Company and did not result in substantial changes in the Group and the Company's accounting policies and disclosures.

(b) Standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and have not been early adopted

In the next financial year, the Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time Adoption of MFRS".

(i) Financial year beginning on or after 1 April 2012

- MFRS 1 "First-time Adoption of MFRS" (effective from 1 January 2012) provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- Amendment to MFRS 1 "First-time Adoption of MFRS on Fixed Dates and Hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

The adoption of MFRS 1 will not have a significant impact to the Group and the Company based upon mandatory and optional exemptions for first-time MFRS adoptions. Certain optional exemptions are not applicable to the Group and the Company.

- IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and have not been early adopted (continued)

The adoption of the above MFRSs on 1 April 2012 will not have a significant financial impact on the financial statements of the Group and the Company and will not result in substantial changes in the Group and the Company's accounting policies.

(ii) Financial years beginning on or after 1 April 2013

- Amendment to MFRS 101 "Presentation of Financial Statements" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- MFRS 10 "Consolidated Financial Statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities".

- MFRS 11 "Joint Arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate Financial Statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in Associates and Joint Ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issuance of MFRS 11.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and have not been early adopted (continued)

(ii) Financial years beginning on or after 1 April 2013 (continued)

- Amendment to MFRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

- Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 "Financial Instruments: Recognition and Measurement" with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at 'fair value through profit or loss' ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the above MFRSs will not have a significant financial impact on the financial statements of the Group and the Company and will not result in substantial changes in the Group and the Company's accounting policies in the financial year of their initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Subsidiaries are consolidated using the acquisition method of accounting except for those business combinations which were accounted for using predecessor basis of accounting. Only one subsidiary (i.e. Laksana Wibawa Sdn. Bhd. is consolidated using acquisition method of accounting), the rest of the subsidiaries are accounted for using the predecessor basis of accounting (i.e. merger method of accounting) as they were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

The Group has taken advantage of the exemption provided by MASB 21, FRS3 and Revised FRS 3 to apply these standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with this standard.

Acquisition method of accounting

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. See the accounting policy Note 3(e) on goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior financial years is not restated.

Change in accounting policy

The Group has changed its accounting policy on business combinations and accounting for non-controlling interest when it adopted the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements" on 1 April 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Change in accounting policy (continued)

Previously, contingent consideration in a business combination was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group was accounted for as a revaluation.

The Group has applied the new policies prospectively to transactions occurring on or after 1 April 2011. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Merger method of accounting

Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between cost of acquisition over the nominal value of the share capital and reserves of the subsidiaries is taken to merger reserve. Merger debit arising on consolidation is set off against the revaluation and other reserves of the Group.

All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to parent.

(ii) Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

Change in accounting policy

Previously, the Group applied a policy of treating transactions with non-controlling interest as transactions with parties external to the Group. Accordingly, disposals resulted in gains or losses and purchases resulted in the recognition of goodwill, being the difference between consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired. The Group has applied this policy prospectively to transactions occurring on or after 1 April 2011. As a consequence, no adjustments were necessary to any of the amounts recognised previously in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Jointly controlled entity

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the financial statements by using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(iv) Changes in ownership interests

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. The fair value of retained interest as financial asset is the fair value on initial recognition as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Changes in accounting policy

The Group has changed its accounting policy prospectively for transactions occurring on or after 1 April 2011 with non-controlling interests and transactions involving the loss of control, joint control or significant influence when it adopted the revised FRS 127 "Consolidated and Separate Financial Statements". The revisions to FRS 127 contained consequential amendments to FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures".

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost on initial measurement as a financial asset in accordance with FRS 139.

(b) Investments in subsidiaries and jointly controlled entity

In the Company's separate financial statements, investments in subsidiaries and jointly controlled entity are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and jointly controlled entities, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments in subsidiaries and jointly controlled entity (continued)

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See Note 3(f) to the financial statements on accounting policy for impairment of non-financial assets.

(c) Advances to subsidiaries and a jointly controlled entity

Advances to subsidiaries and a jointly controlled entity which are non trade in nature, unsecured, interest free and do not have a fixed term of repayments are treated as a long term source of capital to the subsidiaries and the jointly controlled entity. The value of the advances is accounted for as contributions and recognised as part of the cost of investment in subsidiaries and jointly controlled entity.

(d) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently stated at valuation in 1994 and subsequent additions are stated at cost less subsequent amortisation/depreciation and any impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets (refer to Note 3(p) to the financial statements for the accounting policy on borrowing cost).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and/or the Group, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The freehold land and buildings have not been revalued since they were last revalued in 1994. The Directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standard No. 16 (Revised) Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board, these assets are stated at their previous revaluation in 1994 less amortisation and impairment losses.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are included in other operating income or expenses in profit or loss. On disposal of the revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease is amortised on a straight-line basis to write off the cost of the land, or the revalued amounts over the respective lease period that range from 60 to 99 years, which expires between 3 October 2042 to 10 September 2096.

Other property, plant and equipment are depreciated on reducing balance basis to write off the cost or valuation to their residual values over the expected useful lives of the assets concerned.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

The principal annual rates of depreciation are as follows:

	%
Leasehold land	1.0 – 2.2
Flats	2.0
Buildings	2.0
Plant, machinery, tools and equipment	5.0 – 33.3
Motor vehicles	20.0
Furniture and fittings	5.0 – 20.0
Office equipment and air conditioners	10.0 – 33.3
Renovation	10.0

Depreciation on capital work in progress commences when the asset is ready for its intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amounts and difference is charged or credited to profit or loss. On disposal of the revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 3(f) to the financial statements on the accounting policy for impairment of non-financial assets.

(e) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and jointly controlled entity over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment.

Goodwill on acquisitions of jointly controlled entity occurring on or after 1 January 1995 is included in investments in jointly controlled entity. Such goodwill is tested for impairment as part of the overall balance.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-current assets other than goodwill that suffered impairment are review for possible reversal of impairment at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of non-financial assets (continued)

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus reserve. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(g) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sales is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(h) Financial assets

(i) Classification

The Group and the Company classifies its financial assets in the following categories: at 'fair value through profit or loss' and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

'Financial assets at fair value through profit or loss' are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

<u>Loans and receivables</u>

'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group and the Company's 'loans and receivables' comprise 'trade and other receivables', 'amount due from a jointly controlled entity' and 'deposits, cash and bank balances' under the current assets in the statements of financial position.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 'Financial assets carried at fair value through profit or loss' are initially recognised at fair value, and transaction costs are expensed to profit or loss.

(iii) Subsequent measurement – gains and losses

'Financial assets at fair value through profit or loss' are subsequently carried at fair value. 'Loans and receivables' are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of 'financial assets at fair value through profit or loss', including the effects of currency translation, interest and dividend income are recognised in profit or loss in the financial period of which the changes arise.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group and the Company use to determine that there is objective evidence of an impairment loss include: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, or default or significant delay in payments.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's financial performance), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) Derecognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

(i) Financial liabilities

(i) Classification

The Group and the Company classify its financial liabilities where applicable, in the following categories: at 'fair value through profit or loss', showing separately (i) those designated as such upon initial recognition and (ii) those classified as 'held-for-trading' and measured at 'amortised cost'. Management determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial liabilities (continued)

(i) Classification (continued)

Financial liabilities at fair value through profit or loss

The Group and the Company have not designated any financial liabilities as 'financial liabilities at fair value through profit or loss'. 'Financial liabilities held for trading' are derivatives (if any) entered into by the Group and the Company that do not meet the hedge accounting criteria.

Other financial liabilities

'Other financial liabilities' are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. 'Other financial liabilities' are recognised as current liabilities unless the Group and the Company have an unconditional right to defer repayment of the liabilities for at least 12 months after the reporting date. The Company's 'other financial liabilities' comprise 'trade and other payables' and 'borrowings' in the statement of financial position.

(ii) Recognition and initial measurement

Financial liabilities within the scope of FRS 139 are recognised on the statements of financial position when, and only when, the entities within the Group become a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

(iii) Subsequent measurement

Financial liabilities at fair value through profit or loss

'Financial liabilities at fair value through profit or loss' are subsequently carried at fair value. Changes in the fair value of 'financial liabilities at fair value through profit or loss' including the effects of currency translation are recognised in profit or loss in the financial period in which the changes arise.

Other financial liabilities

Subsequent to initial recognition, 'other financial liabilities' are measured at amortised cost using the effective interest method.

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial guarantee contracts (continued)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(l) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability.

The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful lives of the assets in accordance with policy stated in Note 3(d).

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

Initial direct costs incurred in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Raw material is stated at cost of purchase, plus the cost of bringing the inventories to their present location and condition. The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Where necessary, allowance is made for obsolete, slow moving or defective inventories.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and short term, highly liquid investments with original maturities of three months or less, net of bank overdraft and deposits pledged for credit facilities. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(p) Borrowings and borrowings cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax expense is calculated on the basis of the income tax laws (and tax rate) enacted or substantively enacted at the end of the reporting period of each jurisdiction in which the entities within the Group operates and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (continued)

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for income tax purposes (i.e. tax bases) and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using income tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unutilised reinvestment allowances can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Share capital

(i) Classification

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares are deducted against share premium account, if any, otherwise it is charged to profit or loss.

(iii) Dividend distribution

Distributions to holders of equity instruments are debited directly to equity, net of any related income tax benefit. The corresponding liability is recognised when the dividend was proposed or declared before the end of the reporting period. A dividend proposed or declared after the end of the reporting period, but before the financial statements are authorised for issue will not be recognised as a liability at the end of the reporting period until it has been approved by the shareholders at the Company's annual general meeting.

(iv) Purchase of own shares

Where the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the controlling equity holders of the Company as treasury shares and presented as a deduction from equity until they are cancelled, reissued or disposed of.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share capital (continued)

(iv) Purchase of own shares (continued)

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the controlling equity holders. Where such shares are subsequently cancelled, the issued share capital is reduced by the nominal value of the cancelled shares. The amount by which the Company's issued share capital is diminished on cancellation of shares is transferred to a capital redemption reserve account.

(s) Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources will be required to settle the obligation; and when a reliable estimate of the amount can be made.

Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as 'finance cost' in profit or loss.

(t) Contingent assets and liabilities

The Group and the Company do not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

The Group recognises separately the contingent liabilities of the acquiree as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group and the Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 "Revenue".

(u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group and the Company's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

Entities within the Group recognise when the amount of revenue can be reliably measured, it is probable that the future economic benefits associated with the transaction will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Revenue from sale of goods is recognised upon delivery of goods, when significant risks and rewards of ownership of the goods are transferred to the buyer.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the rental agreement.

(v) Other income

Other income is recognised on an accrual basis unless collectability is uncertain.

(v) Employee benefits

(i) Short term employee benefits

The Group and the Company recognise a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (continued)

(ii) Defined contribution plan (continued)

Subsidiaries incorporated in Malaysia contribute to the Employees Provident Fund of Malaysia, the national defined contribution. The Group and the Company's contributions to the defined contribution plan are charged to profit or loss in the financial period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(w) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates approximating those prevailing at the dates of transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end using the foreign currency exchange rates approximating those prevailing at the reporting date, are recognised in profit or loss.

All foreign currency exchange gains and losses are presented in profit or loss within 'other operating income' or 'other operating expenses'.

For translation differences on financial assets and liabilities held at fair value through profit or loss, refer to Notes 3(h)(iii) or 3(i)(iii) to the financial statements.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are taken to the exchange fluctuation reserve, a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currencies (continued)

(iii) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 April 2006 are treated as assets and liabilities of the foreign entity and translated at the closing foreign currency exchange rates. The Group applied the transitional provision for acquisitions prior to 1 April 2006, which allows the goodwill and fair value adjustments arising from acquisitions to be treated as assets and liabilities of the parent rather than that of the foreign entities. Therefore, those goodwill and fair value adjustments either are already expressed in the parent's functional currency or are non-monetary foreign currency items, which are reported using the exchange rates at the date of the acquisitions.

(x) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group and the Company's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company's overall financial risk management objective is to ensure that the Group and the Company create value for its shareholders. The Group and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group and of the Company's business whilst managing its financial risks. The Group and the Company focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group and the Company's financial risk management policies. The Group and the Company operate within clearly defined guidelines and the Group and the Company's policy is not to engage in speculative transactions.

(a) Market risk

<u>Foreign currency exchange risk</u>

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group is exposed to foreign currency exchange risk arising from various foreign currency exposures, primarily with respect to Singapore Dollar ("SGD").

Foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operation.

Management has set up a policy to require group companies to manage their foreign currency exchange risk against their functional currency. Entities in the Group use foreign currency forward contracts to hedge against their material foreign currency exposure. Foreign currency exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

Foreign currency exchange risk (continued)

The Group's exposure to foreign currency exchange risk, based on the carrying amounts as at the end of the reporting period is:

	SGD RM	USD RM	LKR RM	BND RM	TOTAL RM
2012					
Financial Assets					
Receivables and deposits	1,474,514	5,389	6,210	4,440	1,490,553
Deposits, cash and bank balances	295,752	94,952	299,023	0	689,727
	1,770,266	100,341	305,233	4,440	2,180,280
Financial Liabilities					
Payables	(28,793)	(141,188)	0	0	(169,981)
Net exposure in the statement of financial position	1,741,473	(40,847)	305,233	4,440	2,010,299

	SGD RM	USD RM	LKR RM	BND RM	TOTAL RM
2011					
Financial Assets					
Receivables and deposits	2,306,447	343,407	31,534	4,376	2,685,764
Deposits, cash and bank balances	1,280,860	251,189	274,530	0	1,806,579
	3,587,307	594,596	306,064	4,376	4,492,343
Financial Liabilities					
Payables	0	(198,624)	0	0	(198,624)
Net exposure in the statement of financial position	3,587,307	395,972	306,064	4,376	4,293,719

At 31 March 2012, if SGD had weakened/strengthened by 5% against Ringgit Malaysia ("RM") with all other variables held constant, loss after taxation for the financial year would have been higher/lower by approximately RM87,000 (2011: RM179,000), as a result of foreign currency exchange losses/ gains on translation of SGD denominated financial instruments. The Group's exposure to foreign currency other than SGD is not material and hence, sensitivity analysis is not presented.

As at 31 March 2012 and 2011, there is no outstanding foreign currency forward contract for the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

Interest rate risk

The Group and the Company are exposed to interest rate risk for changes in the interest rates primarily for borrowings and deposits with licensed banks. The financial liabilities with floating interest rate exposed the Group and the Company to cash flow interest rate risk. The Group and the Company are exposed to fair value interest rate risk for financial assets and liabilities with fixed interest rate. However, the profit or loss of the Group and the Company is not affected by fair value interest rate risk as the Group and the Company's fixed rate financial assets and liabilities are carried at amortised cost. The Group and the Company monitor interest rates at inception to ensure that they are established at favourable rates.

At 31 March 2012, if interest rates had been 100 basis points higher/lower with all other variables held constant, loss after taxation for the financial year would have been approximately RM250,000 (2011: RM300,000) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Price risk

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate as a result of changes in market prices (other than interest or foreign currency exchange rates).

The Group's exposure to price risk arises mainly from fluctuation in the prices of key raw materials such as scrap metals and hot rolled coils. The Group manages its risk by monitoring the prices quoted by various vendors closely and may source from alternate vendors if the price is competitive.

As at 31 March 2012 and 2011, the Group and the Company are not exposed to price risk as there is no outstanding purchase contract with variable purchase price.

(b) Credit risk

Credit risk arises from credit exposures to outstanding receivables from third parties and related parties, derivative financial instruments, deposits held at call and cash management fund maintained with banks. Each entity within the Group is responsible for managing the credit risk through credit assessment and approvals, credit limits, collection and monitoring procedures. Where appropriate, letter of credits, bank guarantees or alternatively advance payments will be obtained from respective customers.

All derivative contracts, deposits and cash management fund are only entered into or maintained with reputable financial institutions with high credit ratings and no history of default.

As at 31 March 2012, the Group has no significant concentration of credit risk other than approximately 41% (2011: 47%) of the trade receivables balance of the Group relate to four major customers. The Group's historical record in the collection of trade receivables falls within the allowed credit limits or recorded allowances. The Group manages credit risk arising from trade and other receivables through ongoing debt collection, account and credit limits are monitored regularly as well as ensuring that letters of credit and bank guarantees, if applicable, are issued from renowned financial institutions. Due to these factors, the Directors believe that no credit risk needs to be additionally allowed for beyond the allowance for doubtful debts (if any) already made by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity and cash flow risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its obligation due to shortage of funds. The Group and the Company maintain sufficient level of cash and cash equivalents to meet the working capital requirements by continuously monitoring both the rolling forecasts and actual cash flows. The Group also maintains adequate amount of committed credit facilities with financial institutions. Excess cash is placed in fixed deposits or cash management fund with reputable financial institutions.

The table below summaries the maturity profile of the Group's financial liabilities based on the remaining period at the reporting date to the contractual date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

GROUP	WITHIN 1 YEAR RM	BETWEEN 1 AND 2 YEARS RM	BETWEEN 2 AND 5 YEARS RM	LATER THAN 5 YEARS RM	TOTAL RM
2012					
Payables	**24,336,370**	**0**	**0**	**0**	**24,336,370**
Borrowings	**20,574,428**	**13,564,892**	**255,067**	**15,714**	**34,410,101**
Total undiscounted financial liabilities	**44,910,798**	**13,564,892**	**255,067**	**15,714**	**58,746,471**

GROUP	WITHIN 1 YEAR RM	BETWEEN 1 AND 2 YEARS RM	BETWEEN 2 AND 5 YEARS RM	LATER THAN 5 YEARS RM	TOTAL RM
2011					
Payables	10,560,285	0	0	0	10,560,285
Borrowings	21,828,651	4,147,910	13,732,832	62,828	39,772,221
Total undiscounted financial liabilities	32,388,936	4,147,910	13,732,832	62,828	50,332,506

4.2 Capital risk management

The Group and the Company's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, entities in the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or secure additional debts.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as total equity as shown in the statement of financial position plus total borrowings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management (continued)

The gearing ratio is calculated as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total borrowings (Note 23)	**34,410,101**	39,772,221	**0**	0
Total equity	**155,718,647**	160,083,163	**67,205,568**	67,794,457
	190,128,748	199,855,384	**67,205,568**	67,794,457
Gearing ratio	**18.10%**	19.90%	**0%**	0%

4.3 Fair value estimation

Effective 1 April 2011, the Group and the Company adopted the amendments to FRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (i.e. 'financial assets at fair value through profit or loss') is based on quoted market prices at the reporting date. The Group and the Company use the current bid price as the quoted market price to fair value its financial assets, if applicable. The fair value of foreign currency forward contracts is determined using quoted forward foreign currency exchange rates at the reporting date.

As at 31 March 2012, there is no outstanding foreign currency forward contract.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) will be determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 March 2012, none of the financial assets and financial liabilities of the Group and of the Company is measured at fair value which requires classification under fair value measurement hierarchy in accordance with FRS 7.

The carrying amounts of financial assets and liabilities as reflected in the statement of financial position approximate their fair values except as disclosed elsewhere in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated by the Directors and management based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the financial period in which such determination is made.

(b) Depreciation of property, plant and equipment

Property, plant and equipment (other than leasehold land) are depreciated on a reducing balance basis to write off their cost to their residual value over their estimated useful lives. The Directors estimate the useful life of these assets to be ranged from 3 to 50 years (Note 3(d) to the financial statements). Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

(c) Allowance for impairment of trade receivables and other receivables

Allowance for impairment is made for receivables that the management considers the recoverability to be doubtful. On a regular basis, the management reviews the receivables' ageing report, repayment history and financial position of debtors for any objective evidence of impairment. Significant judgment is required in assessing the recoverability of receivables. To the extent that actual recoveries deviate from management's estimates, such variances may have a material impact on profit or loss.

(d) Recoverable amount of property, plant and equipment and non current assets

The Group and the Company assess whether there is any indication that non-financial assets are impaired at the end of each the reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. Estimating the recoverable amount based on value-in-use requires significant judgments. The value-in-use is the present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated by the management based on historical experience, general market and economic conditions and other available information. Changes to any of the assumptions would result in recognition of impairment loss for non-financial assets other than goodwill and change in the impairment loss recognised on goodwill. The key assumptions used in the estimation of the recoverable amount for goodwill are disclosed in Note 15 to the financial statements.

6 REVENUE

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Sales of goods	**143,080,367**	76,360,296	**0**	0
Sales of materials	**0**	48,585	**0**	0
Interest income from licensed banks	**211,918**	272,651	**211,918**	272,651
Dividend income from a subsidiary	**0**	0	**0**	984,390
	143,292,285	76,681,532	**211,918**	1,257,041

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

7 FINANCE COSTS

	GROUP	
	2012 RM	2011 RM
Interest expenses on:		
- bank overdraft	**(232,553)**	(229,760)
- term loans	**(1,914,103)**	(2,096,556)
- other short term borrowings	**(978,083)**	(494,447)
	(3,124,739)	(2,820,763)

8 LOSS BEFORE TAXATION

(i) Expenses by nature

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Changes in inventories of finished goods and work in progress	**5,758,537**	(8,117,054)	**0**	0
Purchases of raw materials	**(76,373,580)**	(37,992,303)	**0**	0
Purchases of finished goods	**(37,700,804)**	(3,396,285)	**0**	0
Auditors' remuneration:				
- statutory audit	**(90,000)**	(90,000)	**(35,000)**	(35,000)
- other audit related services	**(3,800)**	(3,800)	**(3,800)**	(3,800)
Depreciation of property, plant and equipment (Note 14)	**(6,203,815)**	(6,614,087)	**0**	0
Rental				
- land and building	**(59,778)**	(75,174)	**0**	0
- others	**(204,452)**	(207,469)	**0**	0
Property, plant and equipment written off	**0**	(27,905)	**0**	0
Loss on disposal of property, plant and equipment	**0**	(28,108)	**0**	0
Unrealised foreign exchange loss	**(309)**	0	**0**	0
Realised foreign exchange loss	**0**	(59,151)	**0**	0
Employee benefits cost (Note 10)	**(10,245,082)**	(9,857,827)	**0**	0
Directors' fees and other benefits (Note 11)	**(609,000)**	(595,000)	**(535,000)**	(542,000)
Utilities	**(5,585,867)**	(4,461,385)	**0**	0
Repairs and maintenance	**(1,721,719)**	(1,303,732)	**0**	0
Transportation	**(5,682,628)**	(2,651,928)	**0**	0
Insurance	**(256,081)**	(272,880)	**0**	0
Product consumables	**(1,041,632)**	(1,030,391)	**0**	0
Professional fees	**(67,699)**	(293,554)	**(46,600)**	(179,950)
Goodwill impairment	**0**	(37,217,928)	**0**	0
Impairment of investment in subsidiaries	**0**	0	**0**	(43,114,312)
Impairment loss on trade receivables	**0**	(2,504,121)	**0**	0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

8 LOSS BEFORE TAXATION (CONTINUED)

(ii) The following amounts have been credited in arriving at loss before taxation:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income from licensed banks	**837,712**	960,288	**211,918**	272,651
Gain on disposal of property, plant and equipment	**11,825**	0	**0**	0
Realised foreign exchange gain	**172,698**	0	**0**	0
Unrealised foreign exchange gain	**0**	134,574	**0**	0
Insurance claim received	**343,824**	51,063	**0**	0
Reversal of impairment loss on trade receivables	**1,202,176**	0	**0**	0

9 SIGNIFICANT RELATED PARTY TRANSACTIONS

In relation to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(i) Significant transactions with related party during the financial year are as follows:

	COMPANY	
	2012 RM	2011 RM
Gross dividend income from a subsidiary company:		
- Yew Lean Foundry & Co. Sdn. Bhd.	**0**	984,390
Advances to a subsidiary company:		
- Yew Lean Foundry & Co. Sdn. Bhd.	**10,500,000**	0
Repayment of advances from subsidiary company:		
- Yew Lean Foundry & Co. Sdn. Bhd.	**550,000**	9,420,000
Expenses paid on behalf by Yew Lean Foundry & Co. Sdn. Bhd.	**177,727**	234,849

The above transactions were based on terms and prices as agreed between the Company and the related party.

(ii) Key management personnel compensation

The key management remuneration includes fees, salary, bonuses and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group and the Company did not incur any costs, the value of the benefits.

The key management remuneration is as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries and other short term employee benefits	**1,611,275**	1,433,183	**695,000**	692,972
Defined contribution retirement plan	**101,108**	90,158	**0**	0
	1,712,383	1,523,341	**695,000**	692,972

All Directors of the Company are regarded as key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

10 EMPLOYEE BENEFITS COST

Employee benefits cost (excluding Directors' fees) are analysed as follows:

	GROUP	
	2012 RM	2011 RM
Wages, salaries and bonuses	**8,047,591**	7,693,307
Defined contribution plan	**986,738**	921,076
Other employee benefits	**1,210,753**	1,243,444
	10,245,082	9,857,827

11 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

<u>Non-Executive Directors</u>

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Mohammad Khayat Bin Idris
Tuan Haji Ab Gani Bin Haron
Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin

<u>Executive Directors</u>

Dato' Hj. Samsuri Bin Rahmat
Ali Sabri Bin Ahmad

The aggregate amounts of emoluments received/receivable by Directors of the Company during the financial year are as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-Executive Directors:				
- fees	**24,000**	24,000	**24,000**	24,000
- other benefits	**477,000**	484,000	**477,000**	484,000
- estimated money value of benefits-in-kind	**192,200**	183,172	**160,000**	150,972
	693,200	691,172	**661,000**	658,972
Executive Directors:				
- fees	**84,000**	84,000	**34,000**	34,000
- salaries and bonuses	**754,920**	616,853	**0**	0
- defined contribution plan	**101,108**	90,158	**0**	0
- other employee benefits	**24,000**	3,000	**0**	0
- estimated money value of benefits-in-kind	**55,155**	38,158	**0**	0
	1,019,183	832,169	**34,000**	34,000
	1,712,383	1,523,341	**695,000**	692,972

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

12 TAXATION

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysian taxation:				
- current taxation	**(605,094)**	(975,020)	**0**	(111,756)
- deferred taxation (Note 24)	**657,718**	351,449	**153,545**	0
	52,624	(623,571)	**153,545**	(111,756)
(Under)/over accrual in prior financial year:				
- current taxation	**(38,448)**	(50,944)	**3,594**	4,721
- deferred taxation (Note 24)	**(9,806)**	13,370	**0**	0
	4,370	(661,145)	**157,139**	(107,035)

The explanation of the relationship between income tax expense and loss from ordinary activities before taxation is as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Loss before taxation	**(4,743,864)**	(43,308,790)	**(746,028)**	(42,938,707)
Tax calculated at the Malaysian income tax rate of 25%	**1,185,966**	10,827,198	**186,507**	10,734,677
Tax effects of:				
Share of results of jointly controlled entity	**87,777**	41,735	**0**	0
Expenses not deductible for income tax purposes	**(848,095)**	(10,795,898)	**(32,962)**	(10,846,433)
Expenses allowable for double deductions for income tax purposes	**12,800**	9,828	**0**	0
Income not subject to tax	**305,600**	20,839	**0**	0
Current financial year's tax loss not recognised	**0**	(733)	**0**	0
Temporary differences not recognised	**(691,424)**	(726,540)	**0**	0
(Under)/over accrual in prior financial year:				
- current taxation	**(38,448)**	(50,944)	**3,594**	4,721
- deferred taxation	**(9,806)**	13,370	**0**	0
Tax credit/(expense)	**4,370**	(661,145)	**157,139**	(107,035)

The Group has, subject to confirmation by the Inland Revenue Board, unused tax losses of approximately RM23,886,000 (2011: RM21,132,000) and unabsorbed capital allowance of approximately RM6,912,000 (2011: RM6,487,000) of which the related tax benefit of RM 5,972,000 (2011: RM5,283,000) and RM 1,728,000 (2011: RM1,622,000) respectively have not been recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

13 LOSS PER SHARE

Group

Basic loss per share of the Group is calculated by dividing the net loss after taxation attributable to equity holders of the Company for the financial year by the number of ordinary shares outstanding during the financial year.

	2012	2011
Net loss after taxation attributable to equity holders of the Company (RM)	**(2,624,749)**	(40,303,874)
Number of ordinary shares outstanding during the financial year	**98,439,000**	98,439,000
Basic loss per share (sen)	**(2.67)**	(40.94)

There is no dilutive potential ordinary share as at end of the financial year (2011: nil).

14 PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

GROUP 2012	LAND AND BUILDINGS RM	PLANT, MACHINERY, TOOLS AND EQUIPMENT RM	MOTOR VEHICLES RM	FURNITURE AND FITTINGS RM	OFFICE EQUIPMENT AND AIR CONDITIONERS RM	CAPITAL WORK IN PROGRESS RM	TOTAL RM
AT COST/ VALUATION	AT COST/ VALUATION	AT COST	AT COST	AT COST	AT COST	AT COST	AT COST/ VALUATION
At 1 April 2011	66,760,507	112,845,896	4,453,048	715,306	1,909,008	12,627,431	199,311,196
Additions	0	390,373	152,549	587	25,292	0	568,801
Disposals	0	(135,000)	(20,000)	0	0	0	(155,000)
At 31 March 2012	**66,760,507**	**113,101,269**	**4,585,597**	**715,893**	**1,934,300**	**12,627,431**	**199,724,997**
Accumulated depreciation							
At 1 April 2011	15,650,543	72,058,822	2,979,682	318,553	1,522,745	0	92,530,345
Charge for the financial year	1,110,711	4,605,474	393,342	23,124	71,164	0	6,203,815
Disposals	0	(107,205)	(19,120)	0	0	0	(126,325)
At 31 March 2012	**16,761,254**	**76,557,091**	**3,353,904**	**341,677**	**1,593,909**	**0**	**98,607,835**
Net book value							
31 March 2012	**49,999,253**	**36,544,178**	**1,231,693**	**374,216**	**340,391**	**12,627,431**	**101,117,162**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP 2011	LAND AND BUILDINGS RM	PLANT, MACHINERY, TOOLS AND EQUIPMENT RM	MOTOR VEHICLES RM	FURNITURE AND FITTINGS RM	OFFICE EQUIPMENT AND AIR CONDITIONERS RM	CAPITAL WORK IN PROGRESS RM	TOTAL RM
AT COST/ VALUATION	AT COST/ VALUATION	AT COST	AT COST	AT COST	AT COST	AT COST	AT COST/ VALUATION
At 1 April 2010	66,799,865	112,653,554	4,905,628	715,306	1,890,745	12,627,431	199,592,529
Additions	2,947	192,342	526,297	0	18,263	0	739,849
Disposals	0	0	(978,877)	0	0	0	(978,877)
Write off	(42,305)	0	0	0	0	0	(42,305)
At 31 March 2011	66,760,507	112,845,896	4,453,048	715,306	1,909,008	12,627,431	199,311,196
Accumulated depreciation							
At 1 April 2010	14,530,599	67,156,347	3,328,153	293,689	1,433,682	0	86,742,470
Charge for the financial year	1,134,344	4,902,475	463,341	24,864	89,063	0	6,614,087
Disposals	0	0	(811,812)	0	0	0	(811,812)
Write off	(14,400)	0	0	0	0	0	(14,400)
At 31 March 2011	15,650,543	72,058,822	2,979,682	318,553	1,522,745	0	92,530,345
Net book value							
31 March 2011	51,109,964	40,787,074	1,473,366	396,753	386,263	12,627,431	106,780,851

Note on purchase of property, plant and equipment:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM568,801 (2011: RM739,849), of which RM80,000 (2011: RM330,000) were included in the finance lease liabilities. Cash payments of RM488,801 (2011: RM409,849) were made during the financial year in respect of property, plant and equipment.

The Group's land and buildings comprise of:

2012	AT 1 APRIL RM	ADDITIONS RM	DISPOSALS RM	AT 31 MARCH RM
Cost / valuation				
Building on leasehold land, at valuation	4,066,634	0	0	**4,066,634**
Freehold land and buildings, at cost	4,625,999	0	0	**4,625,999**
Long term leasehold flats, at cost	188,200	0	0	**188,200**
Buildings on leasehold land, at cost	33,573,032	0	0	**33,573,032**
Renovation, at cost	2,480,351	0	0	**2,480,351**
Leasehold land, at cost	10,886,242	0	0	**10,886,242**
Leasehold land, at valuation	10,940,049	0	0	**10,940,049**
Total	66,760,507	0	0	**66,760,507**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2012	AT 1 APRIL RM	DEPRECIATION CHARGE FOR THE FINANCIAL YEAR RM	DISPOSALS RM	AT 31 MARCH RM
Accumulated depreciation				
Building on leasehold land, at valuation	1,048,358	43,315	0	**1,091,673**
Freehold land and buildings, at cost	185,227	13,726	0	**198,953**
Long term leasehold flats, at cost	49,769	2,769	0	**52,538**
Buildings on leasehold land, at cost	7,645,225	626,515	0	**8,271,740**
Renovation, at cost	2,376,159	23,031	0	**2,399,190**
Leasehold land, at cost	2,662,539	239,493	0	**2,902,032**
Leasehold land, at valuation	1,683,266	161,862	0	**1,845,128**
Total	15,650,543	1,110,711	0	**16,761,254**

2011	AT 1 APRIL RM	ADDITIONS RM	DISPOSALS RM	AT 31 MARCH RM
Cost / valuation				
Building on leasehold land, at valuation	4,066,634	0	0	4,066,634
Freehold land and buildings, at cost	4,625,999	0	0	4,625,999
Long term leasehold flats, at cost	188,200	0	0	188,200
Buildings on leasehold land, at cost	33,573,032	0	0	33,573,032
Renovation, at cost	2,519,709	2,947	(42,305)	2,480,351
Leasehold land, at cost	10,886,242	0	0	10,886,242
Leasehold land, at valuation	10,940,049	0	0	10,940,049
Total	66,799,865	2,947	(42,305)	66,760,507

2011	AT 1 APRIL RM	DEPRECIATION CHARGE FOR THE FINANCIAL YEAR RM	DISPOSALS RM	AT 31 MARCH RM
Accumulated depreciation				
Building on leasehold land, at valuation	1,004,159	44,199	0	1,048,358
Freehold land and buildings, at cost	171,219	14,008	0	185,227
Long term leasehold flats, at cost	46,944	2,825	0	49,769
Buildings on leasehold land, at cost	7,009,964	635,261	0	7,645,225
Renovation, at cost	2,353,739	36,820	(14,400)	2,376,159
Leasehold land, at cost	2,423,046	239,493	0	2,662,539
Leasehold land, at valuation	1,521,528	161,738	0	1,683,266
Total	14,530,599	1,134,344	(14,400)	15,650,543

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2012 RM	2011 RM
Net book value		
Building on leasehold land, at valuation	**2,974,961**	3,018,276
Freehold land and buildings, at cost	**4,427,046**	4,440,772
Long term leasehold flats, at cost	**135,662**	138,431
Buildings on leasehold land, at cost	**25,301,292**	25,927,807
Renovation, at cost	**81,161**	104,192
Leasehold land, at cost	**7,984,210**	8,223,703
Leasehold land, at valuation	**9,094,921**	9,256,783
	49,999,253	51,109,964

The Group's freehold land and building on leasehold land were last revalued in 1994, 1996 and 2008 by independent qualified valuers, Henry Butcher, Lim & Long (North) Sdn. Bhd. and TD Aziz Sdn. Bhd. respectively, using the open market value basis.

Subsequent additions are stated at cost.

(i) Valuation

Analysis of leasehold land and building on leasehold land that is stated at valuation:

	GROUP	
	2012 RM	2011 RM
Valuation in 1994, 1998 & 2008 on the Open Market Value basis	**15,006,683**	15,006,683
Net book value	**12,069,882**	12,275,059
Net book value – had the above been carried at historical cost	**5,441,167**	5,541,696

(ii) Assets acquired under finance lease arrangements

Included in motor vehicles and plant and machinery of the Group are the net book value of RM461,479 (2011: RM663,269) and RM94,120 (2011: RM Nil) respectively acquired under finance lease arrangements.

(iii) Net book value of assets pledged as security for borrowings of a subsidiary (Note 23).

Factory building with a net book value of RM12,748,518 (2011: RM13,092,647) and leasehold land with a net book value of RM5,914,944 (2011: RM5,986,208) are pledged as security for borrowings of a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

15 GOODWILL ON CONSOLIDATION

Goodwill on consolidation arose from acquisition of a subsidiary company in the financial year 2009.

	GROUP	
	2012 RM	**2011 RM**
At Cost		
At 1 April 2011/2010 and 31 March 2012/2011	**37,217,928**	37,217,928
Accumulated impairment		
At 1 April 2011/2010	**(37,217,928)**	0
Impairment loss	**0**	(37,217,928)
At 31 March 2012/2011	**(37,217,928)**	(37,217,928)
Net book value		
31 March 2012/2011	**0**	0

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment.

In the financial year 2011, an impairment charge of RM37,217,928 was included within "Administrative expenses" in the statement of comprehensive income. The impairment charge has arisen mainly from lower forecasted revenue of the subsidiary company due to uncertainty over revenue to be derived from the domestic market, especially in Klang Valley, that has resulted in the recoverable amount of the subsidiary lower than its carrying amount.

For the financial year 2011

The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and incorporating a terminal value after the fifth year. The growth rate during the financial budget period does not exceed the long term average growth rate for the components business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	%
Gross margin[1]	8
Growth rate[2]	5.5
Discount rate[3]	11.16

[1] Budgeted gross margin
[2] 5.5% growth rate is used during the financial budget period and zero growth in the terminal value computation
[3] Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for analysis of the CGU. Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rate used is based on expected growth rates for sales. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

16 INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2012 RM	2011 RM
Unquoted shares, at cost		
At 1 April 2011/2010 and 31 March 2012/2011	**64,492,615**	64,492,615
Accumulated impairment		
At 1 April 2011/2010	**(43,114,312)**	0
Impairment loss	**0**	(43,114,312)
At 31 March 2012/2011	**(43,114,312)**	(43,114,312)
Net book value		
31 March 2012/2011	**21,378,303**	**21,378,303**
Amounts due from subsidiary companies (non-trade):		
- Yew Lean Foundry & Co. Sdn. Bhd.	**33,833,173**	24,060,900
- Yew Li Foundry & Co. Sdn. Bhd.	**315,000**	315,000
	34,148,173	24,375,900

The amounts due from subsidiary companies are primarily interest free non-trade advances with no fixed repayment terms and denominated in Ringgit Malaysia. Repayment is however not expected within the next twelve months as it is the intention of the Company to treat this amount as a long term source of capital to the subsidiary companies. The value of the advances is accounted for as contributions and recognised as part of the cost of investment in a subsidiary.

Details of the subsidiary companies are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	HELD BY THE COMPANY		HELD BY SUBSIDIARY COMPANIES		PRINCIPAL ACTIVITIES
		2012 %	2011 %	2012 %	2011 %	
Yew Lean Foundry & Co. Sdn. Bhd.	Malaysia	**100**	100	**0**	0	Manufacturing and marketing of ductile iron pipes and fittings and other related products.
Yew Li Foundry & Co. Sdn. Bhd.	Malaysia	**100**	100	**0**	0	Manufacturing and marketing of cast iron fittings, saddles and manhole covers and fabrication of pipes.
Logam Utara (M) Sdn. Bhd.	Malaysia	**100**	100	**0**	0	Manufacturing and coating of LUSAN ™ (Rilsan) on couplings, tapping sleeves, water tanks and marketing of specialised imported products for water works.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

NAME OF COMPANY	COUNTRY OF INCORPORATION	HELD BY THE COMPANY 2012 %	HELD BY THE COMPANY 2011 %	HELD BY SUBSIDIARY COMPANIES 2012 %	HELD BY SUBSIDIARY COMPANIES 2011 %	PRINCIPAL ACTIVITIES
Zenith Eastern (M) Sdn. Bhd.	Malaysia	**0**	0	**100**	100	Property investment holding.
Yew Lean Industries Sdn. Bhd.	Malaysia	**100**	100	**0**	0	Marketing and distribution of pipes and fittings to waterworks and others.
Laksana Wibawa Sdn. Bhd.*	Malaysia	**51**	51	**0**	0	Manufacturing and trading of steel pipes and related products.

* Audited by a firm other than PricewaterhouseCoopers, Malaysia.

17 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	2012 RM	2011 RM
Group		
Share of net assets of the jointly controlled entity	**1,793,730**	1,067,645
Amount due from a jointly controlled entity	**8,064,928**	8,064,928
Company		
Unquoted shares, at cost	**141**	141
Amount due from a jointly controlled entity	**8,064,928**	8,064,928

The amount due from jointly controlled entity is primarily interest free non-trade advances with no fixed repayment terms and denominated in Ringgit Malaysia. Repayment is however not expected within the next twelve months as it is the intention of the Group and the Company to treat this amount as a long term source of capital to the jointly controlled entity. The value of the advances is accounted for as contributions and recognised as part of the cost of investment in a jointly controlled entity.

Details of the jointly controlled entity are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	HELD BY THE COMPANY 2012 %	HELD BY THE COMPANY 2011 %	PRINCIPAL ACTIVITIES
Pinang Water Limited*	Labuan, Malaysia	**37**	37	Investment holding, provision of consulting services in water management, trading of water treatment equipment, water treatment, management and supply of treated water.

* Audited by a firm other than PricewaterhouseCoopers, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

17 INVESTMENT IN JOINTLY CONTROLLED ENTITY (CONTINUED)

The Group's share of the assets and liabilities of the jointly controlled entity is as follows:

	2012 RM	2011 RM
Non current assets	**8,942,806**	8,783,335
Current assets	**1,659,309**	1,186,157
Current liabilities	**(8,666,652)**	(8,622,007)
Non current liabilities	**(141,733)**	(279,840)
Net assets	**1,793,730**	1,067,645

The Company has also given a corporate guarantee to a bank on behalf of the jointly controlled entity (Note 28) as follows:

	2012 RM	2011 RM
In respect of purchase of property, plant and equipment	**1,134,000**	1,119,000

The Group's share of the revenue, cost of sales, other income and expenses of the jointly controlled entity is as follows:

	2012 RM	2011 RM
Revenue	**1,273,851**	873,320
Cost of sales	**(894,760)**	(678,586)
Gross profit	**379,091**	194,734
Other income	**152,547**	163,087
Expenses excluding taxation	**(173,131)**	(183,481)
Profit before taxation	**358,507**	174,340
Income tax expense	**(7,400)**	(7,400)
Profit after taxation	**351,107**	166,940

18 INVENTORIES

	GROUP	
	2012 RM	2011 RM
Raw materials	**3,438,466**	4,262,124
Work in progress	**3,177,764**	855,167
Finished goods	**24,764,667**	21,328,727
	31,380,897	26,446,018

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RM109,139,505 (2011: RM48,754,089).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade receivables	**52,301,705**	37,292,042	**0**	0
Allowance for impairment of trade receivables	**(1,301,945)**	(2,504,121)	**0**	0
	50,999,760	34,787,921	**0**	0
Other receivables	**334,993**	374,266	**55,000**	55,000
Deposits	**645,375**	661,333	**9,573**	27,575
Prepayments	**247,657**	1,420	**0**	0
	52,227,785	35,824,940	**64,573**	82,575

The currency exposure profile of trade, other receivables and deposits is as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	**50,489,575**	33,137,756	**64,573**	82,575
US Dollar	**5,389**	343,407	**0**	0
Brunei Dollar	**4,440**	4,376	**0**	0
Singapore Dollar	**1,474,514**	2,306,447	**0**	0
Sri Lanka Rupee	**6,210**	31,534	**0**	0
	51,980,128	35,823,520	**64,573**	82,575

The carrying values of trade receivables, other receivables and deposits approximate their fair values at the end of the reporting period as these amounts are expected to be recovered within the next 12 months.

The credit term of the receivables range from 30 days to 90 days (2011: 30 days to 90 days).

As at 31 March 2012, approximately 41% (2011: 47%) of the trade receivables balance of the Group relate to four major customers. The Group's historical record in the collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no credit risk needs to be additionally allowed for beyond the allowance for doubtful debts (if any) already made by the Group.

The ageing analysis of the Group's and Company's trade, other receivables and deposits at the end of the reporting period is as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Neither past due nor impaired	**21,010,883**	19,831,529	**64,573**	82,575
Less than 30 days past due not impaired	**7,561,510**	3,692,388	**0**	0
31 to 60 days past due not impaired	**6,513,260**	2,059,590	**0**	0
61 to 90 days past due not impaired	**3,649,969**	1,011,732	**0**	0
91 to 120 days past due not impaired	**517,659**	105,036	**0**	0
More than 121 days past due not impaired	**12,726,847**	9,123,245	**0**	0
	30,969,245	15,991,991	**0**	0
Impaired	**1,301,945**	2,504,121	**0**	0
	53,282,073	38,327,641	**64,573**	82,575

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Neither past due nor impaired

Trade, other receivables and deposits that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of the Group's and Company's trade, other receivables and deposits that are neither past due nor impaired have been renegotiated during the financial year.

Past due not impaired

The Group has trade receivables amounting to RM30,969,245 (2011: RM15,991,991) that are past due at the reporting date but not impaired. These past due but not impaired receivables are unsecured in nature and relate to customers for whom there is no history of default.

Impaired

As at 31 March 2012, trade receivables of RM1,301,945 (2011: RM2,504,121) were impaired and fully allowed for. The individually impaired receivables are either receivables which are in unexpectedly difficult economic situations or currently under litigation and hence the recoverability is uncertain.

Movement of the Group's allowance for impairment of trade receivables is as follows:

	2012 RM	2011 RM
At 1 April 2011/2010	**2,504,121**	0
Impairment loss charged to profit or loss for the year	**0**	2,504,121
Impairment loss recovered during the year	**(1,202,176)**	0
At 31 March 2012/2011	**1,301,945**	2,504,121

20 AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

Group and Company

The amount due from a jointly controlled entity to a subsidiary company of the Group is denominated in Ringgit Malaysia and interest free with no fixed term of repayment. The amount is neither past due nor impaired.

21 DEPOSITS, CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

		GROUP		COMPANY	
	NOTE	2012 RM	2011 RM	2012 RM	2011 RM
Deposits with licensed banks		**20,000,000**	36,000,000	**3,000,000**	13,500,000
Cash management fund		**3,900,000**	0	**0**	0
Cash and bank balances		**7,017,493**	7,604,763	**42,137**	276,202
		30,917,493	43,604,763	**3,042,137**	13,776,202
Bank overdraft	23	**(2,704,326)**	(2,992,708)	**0**	0
Deposits charged for credit facilities		**(140,958)**	(103,001)	**0**	0
Cash and cash equivalents		**28,072,209**	40,509,054	**3,042,137**	13,776,202

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

21 DEPOSITS, CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS (CONTINUED)

Effective interest rates of deposits with licensed banks at the end of the financial year are as follows:

	2012 % PER ANNUM	2011 % PER ANNUM
Group	**3.00 – 3.25**	2.85 - 3.20
Company	**3.20**	3.00

Weighted average maturity days of the fixed deposits with licensed banks at the end of the financial year are as follows:

	2012 DAYS	2011 DAYS
Group	**15**	24
Company	**6**	8

The foreign currency profile of deposits, cash and bank balances is as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Singapore Dollar	**295,752**	1,280,860	**0**	0
Ringgit Malaysia	**30,227,766**	41,798,184	**3,042,137**	13,776,202
US Dollar	**94,952**	251,189	**0**	0
Sri Lanka Rupee	**299,023**	274,530	**0**	0
	30,917,493	43,604,763	**3,042,137**	13,776,202

22 PAYABLES AND ACCRUED LIABILITIES

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables	**16,417,034**	5,705,467	**0**	0
Other payables	**7,919,336**	4,854,818	**0**	233,745
Other accruals	**4,424,346**	4,418,503	**107,756**	102,000
	28,760,716	14,978,788	**107,756**	335,745

The currency exposure profile of payables is as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	**28,590,735**	14,780,164	**107,756**	335,745
US Dollar	**141,188**	198,624	**0**	0
Singapore Dollar	**28,793**	0	**0**	0
	28,760,716	14,978,788	**107,756**	335,745

The carrying values of payables approximate their fair values at the end of the reporting period as these amounts are payable within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

23 BORROWINGS

	NOTE	GROUP 2012 RM	GROUP 2011 RM
Secured			
Current			
Term loans		**8,725,872**	9,159,807
Finance lease liabilities		**180,581**	193,963
Short term borrowings:			
- Bank overdraft	21	**2,704,326**	2,992,708
- Bankers acceptance		**0**	394,000
- Trust receipts		**6,963,649**	7,888,173
- Revolving credit		**2,000,000**	1,200,000
		20,574,428	21,828,651
Non current			
Term loans		**13,400,195**	17,394,191
Finance lease liabilities		**435,478**	549,379
		13,835,673	17,943,570

The Group's borrowings are denominated in Ringgit Malaysia.

The above credit facilities are secured against:-
i) a subsidiary company's factory building;
ii) debentures incorporating fixed and floating charges on all the present and future assets of a subsidiary company.

The minimum finance lease payments at the end of the reporting period are as follows:

	GROUP 2012 RM	GROUP 2011 RM
Not later than 1 year	**208,338**	224,874
Later than 1 year and not later than 5 years	**484,526**	415,505
Later than 5 years	**18,980**	223,006
	711,844	863,385
Future finance charges	**(95,785)**	(120,043)
Present value of finance lease liabilities	**616,059**	743,342

The fair values of finance lease liabilities as at 31 March 2012 is approximately RM581,398 (2011: RM706,613).

The effective interest rates of the above borrowings as at the end of the reporting period are as follows:

	2012 % PER ANNUM	2011 % PER ANNUM
Term loans	**4.64 – 7.68**	4.79 – 7.56
Finance lease liabilities	**4.33 – 8.81**	4.33 – 8.81
Short term borrowings	**3.90 – 7.85**	3.88 – 7.55

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

23 BORROWINGS (CONTINUED)

The maturity and exposure to interest rate risk of the borrowings are as follows:

	NOT LATER THAN 1 YEAR RM	LATER THAN 1 YEAR AND NOT LATER THAN 2 YEARS RM	LATER THAN 2 YEARS AND NOT LATER THAN 5 YEARS RM	LATER THAN 5 YEARS RM	TOTAL RM
At 31 March 2012					
Floating rate:					
- bank overdraft	**2,704,326**	**0**	**0**	**0**	**2,704,326**
- term loans	**8,725,872**	**13,400,195**	**0**	**0**	**22,126,067**
Fixed rate:					
- revolving credit	**2,000,000**	**0**	**0**	**0**	**2,000,000**
- finance lease liabilities	**180,581**	**164,697**	**255,067**	**15,714**	**616,059**
- trust receipts	**6,963,649**	**0**	**0**	**0**	**6,963,649**
	20,574,428	**13,564,892**	**255,067**	**15,714**	**34,410,101**

	NOT LATER THAN 1 YEAR RM	LATER THAN 1 YEAR AND NOT LATER THAN 2 YEARS RM	LATER THAN 2 YEARS AND NOT LATER THAN 5 YEARS RM	LATER THAN 5 YEARS RM	TOTAL RM
At 31 March 2011					
Floating rate:					
- bank overdraft	2,992,708	0	0	0	2,992,708
- term loans	9,159,807	3,993,996	13,400,195	0	26,553,998
Fixed rate:					
- revolving credit	1,200,000	0	0	0	1,200,000
- finance lease liabilities	193,963	153,914	332,637	62,828	743,342
- bankers acceptance	394,000	0	0	0	394,000
- trust receipts	7,888,173	0	0	0	7,888,173
	21,828,651	4,147,910	13,732,832	62,828	39,772,221

24 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax assets	**162,360**	0	**153,545**	0
Deferred tax liabilities	**(7,356,643)**	(7,842,195)	**0**	0
	(7,194,283)	(7,842,195)	**153,545**	0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

24 DEFERRED TAXATION (CONTINUED)

The movements in deferred taxation during the financial year are as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 April 2011/2010	**(7,842,195)**	(8,207,014)	**0**	0
Credited/(charged) to profit or loss (Note 12)				
Property, plant and equipment	**457,130**	423,591	**0**	0
Accruals	**(1,133)**	9,917	**0**	0
Trade receivables	**(9,807)**	9,807	**0**	0
Unrealised foreign exchange	**33,721**	(83,311)	**0**	0
Unrealised loss on inventory	**(4,815)**	4,815	**0**	0
Tax losses	**172,412**	0	**153,545**	0
Unutilised capital allowance	**404**	0	**0**	0
	647,912	364,819	**153,545**	0
At 31 March 2012/2011	**(7,194,283)**	(7,842,195)	**153,545**	0

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Subject to income tax:				
Deferred tax assets (before offsetting):				
Accruals	**41,748**	42,881	**0**	0
Trade receivables	**0**	9,807	**0**	0
Unrealised foreign exchange loss	**77**	0	**0**	0
Unrealised loss on inventory	**0**	4,815	**0**	0
Tax losses	**172,412**	0	**153,545**	0
Unutilised capital allowance	**404**	0	**0**	0
	214,641	57,503	**153,545**	0
Offsetting	**(52,281)**	(57,503)	**0**	0
Deferred tax assets (after offsetting)	**162,360**	0	**153,545**	0
Deferred tax liabilities (before offsetting):				
Property, plant and equipment	**(7,408,924)**	(7,866,054)	**0**	0
Unrealised foreign exchange gain	**0**	(33,644)	**0**	0
	(7,408,924)	(7,899,698)	**0**	0
Offsetting	**52,281**	57,503	**0**	0
Deferred tax liabilities (after offsetting)	**(7,356,643)**	(7,842,195)	**0**	0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

25 SHARE CAPITAL

	GROUP AND COMPANY	
	2012 RM	2011 RM
Authorised:		
Ordinary shares of RM1 each:		
At 1 April 2011/2010 and 31 March 2012/2011	**500,000,000**	500,000,000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At 1 April 2011/2010 and 31 March 2012/2011	**98,560,000**	98,560,000

Treasury Shares

	GROUP AND COMPANY			
	2012		2011	
	NUMBER OF SHARES	RM	NUMBER OF SHARES	RM
At 1 April 2011/2010 and 31 March 2012/2011	**121,000**	**107,620**	121,000	107,620

The shareholders of the Company, by an ordinary resolution passed at the 14th Annual General Meeting held on 20 August 2009, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

In the financial year 2009, the Company repurchased 121,000 units of its issued share capital from the open market on Bursa Malaysia for RM107,620. The average price paid for the shares repurchased was approximately RM0.89 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased has been sold as at 31 March 2012.

At the end of the reporting period, the number of outstanding shares in issue after setting treasury shares off against equity is 98,439,000 units.

26 SHARE PREMIUM

	GROUP AND COMPANY	
	2012 RM	2011 RM
At 1 April 2011/2010 and 31 March 2012/2011	**7,208,014**	7,208,014

27 REVALUATION AND OTHER RESERVES

	GROUP	
	2012 RM	2011 RM
Revaluation*/capital reserve	**1,588,667**	1,588,667
Exchange fluctuation reserve	**(252,762)**	(627,740)
	1,335,905	960,927

* Revaluation reserve is stated at net of deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

27 REVALUATION AND OTHER RESERVES (CONTINUED)

The movements in each category of reserves are as follows:

	GROUP	
	2012 RM	2011 RM
Revaluation/capital reserve		
At 1 April 2011/2010 and 31 March 2012/2011	**1,588,667**	1,588,667
Exchange fluctuation reserve		
At 1 April 2011/2010	**(627,740)**	(150,710)
Exchange fluctuation differences arising during the financial year	**374,978**	(477,030)
At 31 March 2012/2011	**(252,762)**	(627,740)

28 FINANCIAL GUARANTEE CONTRACTS

Group

The Group has given a corporate guarantee to a bank on behalf of a jointly controlled entity for facilities approximating RM1,134,000 as disclosed in Note 17 to the financial statements.

Company

The Company has given corporate guarantees to banks on behalf of certain subsidiary companies and a jointly controlled entity (Note 17) for facilities approximating RM83,677,000 (2011: RM59,822,000) of which RM34,403,000 (2011: RM23,224,000) was utilised as at 31 March 2012.

Fair values of the financial guarantee contracts have not been recognised based on discounted cash flow (expected value) method as they are not material due to the following:
- The likelihood of the subsidiary companies defaulting within the guaranteed period is remote; and
- The estimated loss exposure if the subsidiary companies were to default is immaterial.

The facilities are secured by the assets pledged as disclosed in Note 14 (iii).

29 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	GROUP	
	2012 RM	2011 RM
Capital expenditure commitments in respect of property, plant and equipment:		
- contracted but not provided for	**3,087,140**	3,120,285
- authorised but not contracted for	**13,326,700**	13,326,700
	16,413,840	16,446,985

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

30 SEGMENT REPORTING

The Group is organised into two main business segments:

- Manufacturing and trading of ductile iron pipes, steel pipes and fittings and waterworks related products for waterworks and sewerage industry.
- Investment holding

	MANUFACTURING AND TRADING RM	INVESTMENT HOLDING RM	OTHERS RM	GROUP RM
Group				
2012				
Revenue				
Total segment revenue	193,478,821	211,918	130,815	193,821,554
Inter-segment revenue	(50,398,454)	0	(130,815)	(50,529,269)
Revenue from external customers	143,080,367	211,918	0	143,292,285
Loss				
Reportable segment loss	(4,184,581)	(746,028)	(164,362)	(5,094,971)
Share of result of a jointly controlled entity	0	351,107	0	351,107
Loss before taxation	(4,184,581)	(394,921)	(164,362)	(4,743,864)
Net assets				
Total segment assets	298,012,587	67,313,324	9,457,991	374,783,902
Inter-segment assets	(90,841,926)	(55,526,617)	(3,962,982)	(150,331,525)
Jointly controlled entity	0	1,793,730	0	1,793,730
Total assets	207,170,661	13,580,437	5,495,009	226,246,107
Total segment liabilities	197,252,065	107,756	2,145,724	199,505,545
Inter-segment liabilities	(127,371,562)	0	(1,606,523)	(128,978,085)
Total liabilities	69,880,503	107,756	539,201	70,527,460
Other information				
Capital expenditure	(568,801)	0	0	(568,801)
Interest revenue	625,794	211,918	0	837,712
Interest expense	(3,124,739)	0	0	(3,124,739)
Tax (expenses)/credit	(147,120)	157,139	(5,649)	4,370
Depreciation	(6,106,119)	0	(97,696)	(6,203,815)
Reversal of impairment loss on trade receivables	1,202,176	0	0	1,202,176

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

30 SEGMENT REPORTING (CONTINUED)

	MANUFACTURING AND TRADING RM	INVESTMENT HOLDING RM	OTHERS RM	GROUP RM
Group				
2011				
Revenue				
Total segment revenue	78,938,089	1,257,041	120,000	80,315,130
Inter-segment revenue	(2,529,208)	(984,390)	(120,000)	(3,633,598)
Revenue from external customers	76,408,881	272,651	0	76,681,532
Loss				
Reportable segment loss	(5,212,944)	(38,026,713)	(236,073)	(43,475,730)
Share of result of a jointly controlled entity	0	166,940	0	166,940
Loss before taxation	(5,212,944)	(37,859,773)	(236,073)	(43,308,790)
Net assets				
Total segment assets	202,651,211	68,130,202	9,565,623	280,347,036
Inter-segment assets	(9,031,799)	(45,754,346)	(3,952,169)	(58,738,314)
Jointly controlled entity	0	1,067,645	0	1,067,645
Total assets	193,619,412	23,443,501	5,613,454	222,676,367
Total segment liabilities	97,393,358	335,745	2,233,451	99,962,554
Inter-segment liabilities	(35,676,036)	0	(1,693,314)	(37,369,350)
Total liabilities	61,717,322	335,745	540,137	62,593,204
Other information				
Capital expenditure	(739,849)	0	0	(739,849)
Interest revenue	687,637	272,651	0	960,288
Interest expense	(2,820,763)	0	0	(2,820,763)
Tax (expenses)/credit	(787,977)	139,062	(12,230)	(661,145)
Depreciation	(6,514,101)	0	(99,986)	(6,614,087)
Goodwill impairment	0	(37,217,928)	0	(37,217,928)
Impairment loss on trade receivables	(2,504,121)	0	0	(2,504,121)

31 FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

	GROUP		COMPANY	
	LOANS AND RECEIVABLES 2012 RM	LOANS AND RECEIVABLES 2011 RM	LOANS AND RECEIVABLES 2012 RM	LOANS AND RECEIVABLES 2011 RM
Financial assets				
Receivables	**51,980,128**	35,823,520	**64,573**	82,575
Amount due from a jointly controlled entity	**79,802**	75,535	**0**	0
Deposits, cash and bank balances	**30,917,493**	43,604,763	**3,042,137**	13,776,202
Total financial assets	**82,977,423**	79,503,818	**3,106,710**	13,858,777

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

31 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial instruments (continued)

	GROUP		COMPANY	
	LIABILITIES AT AMORTISED COSTS 2012 RM	LIABILITIES AT AMORTISED COSTS 2011 RM	LIABILITIES AT AMORTISED COSTS 2012 RM	LIABILITIES AT AMORTISED COSTS 2011 RM
Financial liabilities				
Payables	**28,760,716**	14,978,788	**107,756**	335,745
Borrowings	**34,410,101**	39,772,221	**0**	0
Total financial liabilities	**63,170,817**	54,751,009	**107,756**	335,745

(b) Fair value of financial instruments

The carrying amounts of the financial instruments of the Group and the Company at the end of the reporting period approximate their fair values because they are mostly short term in nature or are repaid frequently.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 18 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012 (CONTINUED)

33 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits or accumulated losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group and the company level is based on the prescribed format by Bursa Malaysia Securities Berhad.

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits/(accumulated losses):				
- realised	**25,253,110**	30,860,451	**(38,608,371)**	(37,865,937)
- unrealised	**(5,734,068)**	(6,235,286)	**153,545**	0
	19,519,042	24,625,165	**(38,454,826)**	(37,865,937)
Total share of retained profits from jointly controlled entities:				
- realised	**1,896,256**	1,533,637	**0**	0
- unrealised	**150,095**	161,608	**0**	0
	2,046,351	1,695,245	**0**	0
Add: consolidation adjustments	**23,671,525**	21,541,257	**0**	0
Total retained profits/(accumulated losses) as per financial statements	**45,236,918**	47,861,667	**(38,454,826)**	(37,865,937)

The disclosure of realised and unrealised profits or accumulated losses above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir and Dato' Hj. Samsuri Bin Rahmat, being two of the Directors of YLI Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 32 to 83 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The information set out in Note 33 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 June 2012

TAN SRI SYED MOHD YUSOF BIN TUN SYED NASIR
DIRECTOR

DATO' HJ. SAMSURI BIN RAHMAT
DIRECTOR

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Hj. Samsuri Bin Rahmat, being the Director primarily responsible for the financial management of YLI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 32 to 83 and information set out in Note 33 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' HJ. SAMSURI BIN RAHMAT

Subscribed and solemnly declared by the abovenamed Dato' Hj. Samsuri Bin Rahmat at Penang on 18 June 2012

Before me

Goh Suan Bee (P125)

22 Lebuh King
10200 Pulau Pinang

Commissioner for Oaths

PROPERTIES OF THE GROUP

	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2012 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
FACTORIES					
2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 03.10.2042)	3.30 acres	1,355	N/A	1 November 1994
	Main factory	76,100 sq. ft.	3,500	29	
	Machine workshop	3,200 sq. ft.		21	
	Canteen	2,050 sq. ft.		16	
	Office building	7,949 sq. ft.		16	
2462, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 13.04.2044)	3.01 acres	4,173	N/A	10 September 1999
	Factory Building	60,702 sq. ft.	4,320	12	14 July 2000
2579, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 23.01.2045)	3.02 acres	2,204	N/A	19 July 1999
	Single Storey factory cum workshop	40,050 sq. ft.	2,368	21	19 July 1999
	Double-storey office building	4,450 sq. ft.			
2604, Lorong Perusahaan Baru 2, Kawasan Perusahaan Prai, 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 11.12.2050)	3.54510 acres	1,606	N/A	6 May 2004
	Factory Building	24,208 sq.ft.	1,238	22	
Lot No. 668 and 669, Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Land(Freehold)	18,919 sq.metres	2,234	N/A	17 March 2005
	Fencing		19	N/A	14 December 2009
Lot 1498, Seksyen 20, Town of Serendah, District of Ulu Selangor, Selangor Darul Ehsan.	Land (Leasehold 99 years expiring 10.09.2096)	44,578 sq.metres	5,948	N/A	30 March 2009
	Factory Building	12,689 sq.metres	14,374	11	29 August 2008
	Office Building	460 sq.metres			

PROPERTIES OF THE GROUP
(CONTINUED)

	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2012 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
OFFICE CUM WORKSHOP					
51, Jalan Layang-Layang 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Land (Freehold)	7,201 sq. ft.	750	N/A	26 May 1997
	1 1/2 storey semi-detached factory erected on it		486	15	
WAREHOUSE					
No. 2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai Pulau Pinang	Land (Leasehold expiring 09.05.2051)	3.25 acres	2,643	N/A	22 June 1996
	Single storey building used as a warehouse with a small section as office	10,744 sq. ft.	1,621	16	
GENERAL PROPERTIES					
No. 11, 12, 13, 14 Tingkat 3, Block C Taman Pelangi 13600 Prai Pulau Pinang	4 units of flats (leasehold expiring 07.11.2093) used as production workers accommodation)	700 sq. ft. each	136	16	8 November 1994
No. 7, Lorong Nagasari 22 Taman Nagasari 13600 Prai Pulau Pinang	Land (Freehold) 1 1/2 storey terrace factory erected on it	2,034 sq.ft.	245	16	10 November 1993
HS(M)21310, PT No.18066 HS(M)28813, PT No.64243	Land (Freehold)	1,200 sq.metres	610	N/A	May 2002
HS(M)21312, PT No.18068 HS(M)21313, PT No.18069	Warehouse		101	N/A	January 2003
Moveable Site Hostel No.2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai	Double Storey Steel Container	40' X 8' X 8' (8 units)	68	N/A	16 September 2002

ANALYSIS OF SHAREHOLDINGS
AS AT 31 JULY 2012

Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per ordinary share
Authorised Share Capital	: RM500,000,000
Issued and Paid-up Capital	: RM98,439,000 #
Number of Holders	: 2,680

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

NO. OF HOLDERS	SIZE OF HOLDINGS	TOTAL HOLDINGS #	% OF TOTAL ISSUED CAPITAL #
23	less than 100 shares	670	*
302	100 to 1,000 shares	264,338	0.27
1,608	1,001 to 10,000 shares	7,455,632	7.57
642	10,001 to 100,000 shares	21,116,387	21.45
103	100,001 to less than 5% of issued shares	33,252,273	33.78
2	5% and above of issued shares	36,349,700	36.93
2,680		**98,439,000**	**100.00**

Excluding a total of 121,000 YLI Holdings Berhad ("YLI") shares bought-back by YLI and retained as treasury shares as at 31 July 2012.

* Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 JULY 2012
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	NAME	NO. OF SHARES HELD	% OF TOTAL ISSUED CAPITAL #
1	SYED MOHD YUSOF BIN TUN SYED NASIR	29,568,000	30.04
2	LEMBAGA TABUNG HAJI	6,781,700	6.89
3	HLB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHANG, TZUNG-YAUR @ EDDY CHANG	3,315,600	3.37
4	SU, SU-YA	1,919,500	1.95
5	LOH ENG KIM CO SDN BHD	1,290,000	1.31
6	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR CHANG, TZUNG-YAUR @ EDDY CHANG (MP0178)	1,184,100	1.20
7	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SALIM CASSIM	1,100,000	1.12
8	JALUR CAHAYA SDN BHD	1,087,600	1.10
9	SULTAN IDRIS SHAH	993,000	1.01
10	SHANNON ONG KIAN KEONG	895,000	0.91
11	TAN KEAT LENG SDN BHD	861,977	0.88
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KAM MUN (E-PPG)	850,300	0.86

ANALYSIS OF SHAREHOLDINGS
AS AT 31 JULY 2012 (CONTINUED)

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 JULY 2012 (CONTINUED)
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	NAME	NO. OF SHARES HELD	% OF TOTAL ISSUED CAPITAL #
13	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	694,900	0.71
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG PENG KIT	646,800	0.66
15	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (LIFE PAR)	637,350	0.65
16	NG YIK SOON	633,000	0.64
17	WANG HSUEH YING	591,000	0.60
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KAM MUN	588,200	0.60
19	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW WONG YEN @ SIOW KWANG HWA	526,000	0.53
20	TEH AH ENG	455,989	0.46
21	TAN CHING HUA	440,000	0.45
22	HOO WAN FATT	419,200	0.43
23	TAY YING LIM @ TAY ENG LIM	343,900	0.35
24	CHANG, TZUNG-YAUR @ EDDY CHANG	303,700	0.31
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AIK FONG (E-BBB/SNG)	297,800	0.30
26	YAP SWEE HANG	293,900	0.30
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG LEE YUN (PB)	280,000	0.28
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AIK FONG (473236)	278,000	0.28
29	GAN POH SIM	276,100	0.28
30	SIM KAH HOON	275,000	0.28
	TOTAL	**57,827,616**	**58.75**

ANALYSIS OF SHAREHOLDINGS
AS AT 31 JULY 2012 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 31 July 2012 are as follows:-

NAME OF SHAREHOLDERS	NO. OF SHARES DIRECT	%#	INDIRECT	%#
Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	29,568,000	30.04	-	-
Lembaga Tabung Haji	6,781,700	6.89	-	-

Excluding a total of 121,000 YLI Holdings Berhad ("YLI") shares bought-back by YLI and retained as treasury shares as at 31 July 2012.

DIRECTORS AND THEIR SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 31 July 2012 are as follows:-

NAME OF DIRECTORS	NO. OF SHARES DIRECT	%#	INDIRECT	%#
Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	29,568,000	30.04	-	-
Dato' Hj Samsuri bin Rahmat	-	-	-	-
Ali Sabri bin Ahmad	-	-	-	-
Tuan Haji Ab Gani bin Haron	-	-	-	-
Mohammad Khayat bin Idris	-	-	-	-
Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin	-	-	-	-

Excluding a total of 121,000 YLI Holdings Berhad ("YLI") shares bought-back by YLI and retained as treasury shares as at 31 July 2012.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of **YLI Holdings Berhad** will be held at the Hall of Fame, Level 1, Hard Rock Hotel, Batu Ferringhi Beach, 11100 Penang on Thursday, 27 September 2012 at 11.30 a.m.

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2012 together with the Reports of the Directors and Auditors thereon. — Please refer to Note A

AS ORDINARY BUSINESS

2. To re-elect Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin who retires in accordance with Article 84 of the Company's Articles of Association. (Resolution 1)

3. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. (Resolution 2)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following Resolutions:-

Ordinary Resolutions

4. To approve the Directors' fees of RM58,000 for the financial year ended 31 March 2012. (Resolution 3)

5. Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital (Resolution 4)

   "THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby unconditionally and generally authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:-

   (i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at the point of purchase ("YLI Shares");

   (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the YLI Shares shall not exceed the share premium account of the Company amounting to RM7,208,014 as at 31 March 2012;

   (iii) the authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Securities or any other relevant authority; and

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Ordinary Resolutions (continued)

(iv) upon completion of the purchase(s) of the YLI Shares by the Company, the Directors of the Company be hereby authorised to deal with the YLI Shares in the following manner:-

(a) cancel the YLI Shares so purchased; or

(b) retain the YLI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or

(c) retain part of the YLI Shares so purchased as treasury shares and cancel the remainder;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the YLI Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required by the relevant authorities."

Special Resolution

6. Proposed Amendments to the Articles of Association (Resolution 5)

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the Agenda of the Annual Report 2012 be hereby approved."

7. To transact any other business of which due notice shall have been received.

By Order of the Board

MOLLY GUNN CHIT GEOK (MAICSA 0673097)
Company Secretary

Penang

Date: 5 September 2012

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Note A

This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote on his behalf.

2. Where a member appoints two proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 2579 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai, Pulau Pinang not less than 48 hours before the time set for the meeting.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act, 1965.

8. Only members registered in the Record of Depositors as at 20 September 2012 shall be eligible to attend the meeting or appoint proxies and vote on their behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 3 – To approve the Directors' fees of RM58,000 for the financial year ended 31 March 2012**

   The proposed Ordinary Resolution 3, if passed, will authorise the payment of the Directors' fees for the financial year ended 31 March 2012 amounting to RM58,000.

2. **Resolution 4 – Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital**

   The proposed Ordinary Resolution 4, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information, please refer to the Statement to Shareholders dated 5 September 2012.

3. **Resolution 5 – Proposed Amendments to the Articles of Association**

   The proposed Special Resolution, if passed will give authority to amend its Articles of Association to be aligned with the recent amendments to the Main Market Listing Requirements of Bursa Securities.

APPENDIX I

PROPOSED AMENDMENTS

TO THE ARTICLES OF ASSOCIATION OF YLI HOLDINGS BERHAD

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS
2	New definition	"Share Issuance Scheme" means a scheme involving a new issuance of shares to the employees.
To amend Article 8(a)	No director shall participate in an issue of shares or options solely to employees of the Company unless shareholders in general meeting have approved of the specific allotment to be made to such director. A director may so participate in an issue of shares pursuant to a public offer or a public issue.	No director shall participate in an issue of shares or options solely to employees of the Company or a Share Issuance Scheme unless shareholders in general meeting have approved of the specific allotment to be made to such director. A director may so participate in an issue of shares pursuant to a public offer or a public issue.
To amend Article 8(b).	Every issue of shares or options to employees of the Company shall be subject to the approval of shareholders.	Every issue of shares or options to employees of the Company or a Share Issuance Scheme shall be subject to the approval of shareholders.
To amend Article 70	A holder may appoint not more than two proxies to attend at the same meeting. Where a holder appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	A member may appoint not more than two proxies to attend at the same meeting. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
To insert new Article 70(a)	None	Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
To amend Article 75	A proxy shall be entitled to vote on a show of hands on any question at any general meeting, notwithstanding any provision to the contrary in the Act.	A proxy shall be entitled to vote on a show of hands on any question at any general meeting, notwithstanding any provision to the contrary in the Act. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

There are no individuals who are standing for election as Director (excluding Directors standing for re-election) at the forthcoming Annual General Meeting.

This page has been intentionally left blank.

YLI HOLDINGS BERHAD
(Co. No. 367249-A) (Incorporated in Malaysia)

PROXY FORM

CDS account no. of authorised nominee

I/We ____________________________ (name of shareholder as per NRIC, in capital letters) NRIC No. ________________ (new) ________________ (old)/ID No./Company No. ________________ of ____________________________ (full address) being a member(s) of the abovenamed Company, hereby appoint ________________(name of proxy as per NRIC, in capital letters) NRIC No. ________________ (new) ________________ (old) or failing him/her ________________ (name of proxy as per NRIC, in capital letters) NRIC No. ________________ (new) ________________ (old) or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at the Hall of Fame, Level 1, Hard Rock Hotel, Batu Ferringhi Beach, 11100 Penang on Thursday, 27 September 2012 at 11.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

	RESOLUTIONS	FOR	AGAINST
Resolution 1	- Re-election of Academician Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin		
Resolution 2	- Re-appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration		
Resolution 3	- Approval of Directors' fees		
Resolution 4	- Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital		
Resolution 5	- Proposed Amendments to the Articles of Association		

(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ………… day of …………………………… 2012

Number of shares held	

For appointment of two proxies, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1	__________	________%
Proxy 2	__________	________%

____
Signature/Common Seal of Appointor

Contact No. of
Shareholder/Proxy: ____________________

NOTES:

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote on his behalf. Where a member appoints two proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.*
2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
3. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 2579 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai, Pulau Pinang not less than 48 hours before the time set for the meeting.*
6. *If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointor is acceptable.*
7. *Those proxy forms which are indicated with "√" in the spaces provided to show how the votes are to be cast will also be accepted.*
8. *Only members registered in the Record of Depositors as at 20 September 2012 shall be eligible to attend the meeting or appoint proxies and vote on their behalf.*

\# *Applicable to shares held through a nominee account.*

Second fold here

Stamp

The Company Secretary
YLI HOLDINGS BERHAD **(367249-A)**
2579, Lorong Perusahaan 10,
Prai Industrial Estate,
13600 Prai, Pulau Pinang, Malaysia

First fold here

YLI HOLDINGS BERHAD
Co. No. 367249-A

2579, Lorong Perusahaan 10,
Prai Industrial Estate,
13600 Prai, Pulau Pinang, Malaysia
T : 604-399 1819 (hunting Line)
F : 604-399 9819

www.yli.com.my